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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

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IN THE MATTER OF THE APPLICATION OF  
CHINO MEADOWS II WATER CO., INC. FOR A  
RATE INCREASE.

DOCKET NO. W-02370A-10-0519

**CHINO MEADOWS II WATER CO.,  
INC.'S NOTICE OF FILING  
REBUTTAL TESTMONY**

Chino Meadows II Water Co., Inc. hereby files the Rebuttal Testimony of Ray L. Jones  
in the above-referenced matter.

RESPECTFULLY SUBMITTED on September 7, 2011.

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By:   
Ray Jones

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**REBUTTAL TESTIMONY  
OF  
RAY L. JONES  
ON BEHALF OF  
CHINO MEADOWS II WATER CO., INC.  
SEPTEMBER 7, 2011**

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**EXECUTIVE SUMMARY**

Ray L. Jones testifies as follows:

Chino Meadows II Water Co., Inc. ("Chino" or "Company") has retained Mr. Ray L. Jones to assist it in this Case. On behalf of the Company Mr. Jones proposes a revenue increase of \$44,266 or 12.59% over adjusted test-year revenues of \$351,633. The Company's proposed rates are based on producing an operating margin of 10.0%.

Mr. Jones explains that he has based Chino's rate increase on an operating margin because Chino is a small company with a relatively small rate base and rate base per customer. He explains that Chino is planning major system improvements and that setting rates based on a return on rate base may cause Chino to have difficulty covering increasing or fluctuating costs, dealing with contingencies, and attracting new capital for system improvements.

Mr. Jones reviews each of the adjustments proposed by Staff and indicates areas of agreement and disagreement between Staff and the Company for each adjustment. Mr. Jones proposes a new rate base adjustment to add post-test year plant for computer upgrades to plant in service. Mr. Jones also proposes income statement adjustments to include costs for a proposed leak detection program and to include the interest paid on customer deposits in expenses.

Mr. Jones explains Chino's commitment to groundwater management and water conservation and requests that Staff revise its recommendation that Chino implement five BMPs and instead require Chino to implement one BMP. Mr. Jones explains that Chino is a small provider that currently has no BMP requirements and that Chino is concerned that the costs and effort required to implement five BMPs will be beyond its financial, technical and staffing capabilities and not prove cost effective for its customers.

Mr. Jones comments on Staff's rate design and points out that the Company is concerned about under earning due to the use of a new conservation oriented rate design.

**I     INTRODUCTION AND QUALIFICATIONS**

**Q.     PLEASE STATE YOUR NAME AND ADDRESS?**

A.     My name is Ray L. Jones. My business address is 25213 N. 49th Drive, Phoenix, Arizona 85083.

**Q.     WHAT IS YOUR PROFESSIONAL EXPERIENCE?**

A.     I have an extensive background in the Arizona water and wastewater utility businesses. I began my career as a Staff Engineer with Citizens Utilities Company ("Citizens") at its Sun City office in 1985. I held progressively more responsible positions and ultimately became the Vice President and General Manager for Citizens' Arizona Water and Wastewater Operations in 1998. When Arizona-American Water Company ("Arizona-American") purchased Citizens' water and wastewater operations in 2002, I became Arizona-American's President. In 2004, I left Arizona-American and formed my own consulting firm, ARICOR Water Solutions, LC ("ARICOR"). ARICOR provides a wide range of engineering and regulatory support services to the private utility, municipal utility, and development sectors.

**Q.     WHAT IS YOUR EDUCATIONAL EXPERIENCE?**

A.     I have a B.S. in Civil Engineering from Kansas University (1985) and an M.B.A. from Arizona State University (1991).

**Q.     DO YOU HOLD ANY PROFESSIONAL LICENSES?**

A.     I am a licensed Professional Engineer in Arizona and California and I am a Grade 3 Certified Operator for all four Arizona classifications.

**Q.     WHAT IS YOUR EXPERIENCE BEFORE THE COMMISSION?**

A.     In my time with Citizens and Arizona-American, I prepared or assisted in the preparation of multiple filings before the Arizona Corporation Commission ("Commission"),

1 including rate applications and CC&N filings. Since starting ARICOR, I have prepared  
2 several filings and assisted in the preparation of several more filings before the  
3 Commission, including rate applications and CC&N filings. I have also provided  
4 testimony in all of these cases before the Commission. A summary of my regulatory  
5 work experience is attached as Exhibit A.

6 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

7 A. I am testifying on behalf of the applicant, Chino Meadows II Water Co., Inc. ("Chino" or  
8 "Company").

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 A. My testimony will provide rebuttal to Commission Staff's ("Staff") Direct Testimony in  
11 Docket No. W-02370A-10-0519 (the "Case") offered by Crystal S. Brown, Jian W. Liu  
12 and Juan C. Manrique.

13 **II BACKGROUND**

14 **Q. WHEN DID YOU BECOME INVOLVED IN THIS CASE?**

15 A. I first became aware of the Chino Case on August 19, 2011. I received a call from Mr.  
16 Matt Lauterbach, the Company's Water Administrator, asking if I could assist them with  
17 evaluating and responding to Staff's Direct Testimony.

18 **Q. WHY DID CHINO REQUEST YOUR ASSISTANCE?**

19 A. Staff's Direct Testimony consists of 128 pages of testimony from three witnesses and  
20 contains 35 schedules and an engineering report. While this level of effort by Staff is not  
21 unusual for a Class C utility, it was not expected by Chino and was outside of Chino's  
22 rate case experience, which previously had been limited to the abbreviated filing and  
23 Staff Report associated with a Class D utility. Chino recognized that they had  
24 underestimated the effort required to take Chino, a utility at the lower end of the Class C

1 range, through the rate case process, and they realized that they did not have the  
2 necessary expertise to evaluate and respond to the Staff Direct Testimony. They retained  
3 my services to provide to provide the necessary expertise and manpower.

4 In addition, Chino was concerned that Staff's recommendation for a 6.12% decrease in  
5 rates would cause harm to Chino. Chino has undertaken efforts to strengthen and  
6 improve its operational processes and procedures and is planning major system  
7 improvements while dealing with fluctuating costs and challenges. They are concerned  
8 that a rate decrease would hinder Chino's ability to attract new capital, cover increasing  
9 costs and deal with contingencies at a time when the ability to do these things is most  
10 needed by Chino.

11 **Q. WHAT DOCUMENTS HAVE YOU REVIEWED IN CONNECTION WITH**  
12 **YOUR INVOLVEMENT IN THIS CASE?**

13 A. I have reviewed Chino's Application, Chino's response to the Commission's Letter of  
14 Deficiency, Chino's responses to Staff's data requests and Staff's Direct Testimony.

15 **Q. HOW HAVE YOU ORGANIZED YOUR TESTIMONY AND SCHEDULES?**

16 A. I have organized my testimony and schedules to mirror Staff's presentation. In order to  
17 avoid confusion and simplify the proceeding, I have numbered my adjustments to match  
18 Staff's numbering of its adjustments.

19 **III REBUTTAL REVENUE REQUIREMENT**

20 **Q. WHAT IS CHINO'S REBUTTAL REVENUE REQUIREMENT?**

21 A. Chino's rebuttal revenue requirement is shown on Schedule RLJ-1. Chino has reduced  
22 its requested revenue increase to \$44,266, an increase of 12.59% over adjusted test-year  
23 revenues of \$351,633.



1 **Q. HOW WAS THE REVENUE REQUIREMENT DETERMINED?**

2 A. Two methods were used to evaluate the Company's earnings and determine the revenue  
3 requirement. The first method is the traditional rate base method also used by Staff. In  
4 the rate base method the revenue requirement is determined by seeking a revenue level  
5 that results in an Operating Income that generates a desired return on rate base. Using the  
6 rate base method, Chino's revenue increase requirement is \$19,733 or 5.61%.

7 Since Chino is a small company with a relatively low rate base, the operating margin  
8 method was also used. In the operating margin method the revenue requirement is  
9 determined by seeking a revenue level that results in an Operating Income that generates  
10 a desired operating margin. Using the operating margin method, Chino's revenue  
11 increase requirement is \$44,266, or 12.59%. I selected the revenue requirement  
12 determined from the operating margin method as Chino's requested increase in this Case.

13 **Q. WHY DID CHINO USE THE HIGHER REVENUE REQUIREMENT DERIVED**  
14 **FROM THE OPERATING MARGIN METHOD?**

15 A. There were several factors that led to the decision to use the operating margin method.  
16 Chino is a small company with a relatively small rate base and rate base per customer<sup>1</sup>.  
17 Setting rates based on a small rate base can lead to undesirable impacts on any company.  
18 For example, rates set on a small rate base result in a relatively small Operating Income  
19 which allows only a small margin over expenses. A company operating at a small margin  
20 may have difficulty covering increasing or fluctuating costs, dealing with contingencies,  
21 and attracting new capital for system improvements.

22 As shown on Schedule F-3 to the Company's filing and further detailed in its response to  
23 Staff Data Request CSB 1-33, Chino's is planning major improvements estimated to cost

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<sup>1</sup> Chino's proposed rate base is \$212,841 with a customer base of 876 customers [\$243 per customer]. By comparison, Chino's sister company, Granite Mountain Water Co., Inc. had a rate base of \$326,014 with a customer base of only 101 customers [\$3,228 per customer] (See Decision No. 71869).

\$253,922. Chino is concerned that setting rates based on the rate base method will hurt Chino's ability to attract sufficient funds to complete the needed improvements.

Chino is also concerned about being able to deal with fluctuating costs and contingencies. Just one year before the test year, Chino incurred approximately \$30,000 in expenses for repairs to its water system over and above the normal level of expected expense<sup>2</sup>. Chino will not receive any recovery of this amount through rates. Chino is concerned that should similar expenditures become necessary in the future, Chino will have inadequate resources to address the issue. As noted by Staff's proposed normalization, Chino experiences fluctuations in its overtime expense and other expenses. Chino must have sufficient revenues to cover these fluctuating expenses while still being able to deal with increasing costs and capital investment needs.

A comparison of the proposed Chino revenue requirements to the revenue requirement recently approved for Chino's sister company Granite Mountain Water Co., Inc. ("Granite") serves to illustrate the problem with setting rates based on a return on rate base for a company with a small rate base per customer. As shown in the table below, both the current Staff position and the Company's calculation of rates using the rate base method result in a smaller Operating Income than that recently approved for Granite, even though Chino's expenses are nearly five times those of Granite.

	Granite	Chino Meadows		
	Mountain	Staff Position	Company Filing	
	Rate Decision	RB Method	RB Method	OM Method
Revenue	\$ 110,575	\$ 330,067	\$ 371,366	\$ 395,899
Operating Expenses	77,959	310,254	350,933	356,310
Operating Income	\$ 32,616	\$ 19,813	\$ 20,433	\$ 39,590
Return on Rate Base	10.00%	9.60%	9.60%	18.60%
Operating Margin	29.50%	6.00%	5.50%	10.00%

<sup>2</sup> See Staff Data Request Response CSB 1-22.

1 The operating margins are also illustrative of the problems using the rate base method  
2 causes for small utilities. The Staff position and the Company's calculation of rates using  
3 the rate base method result in operating margins of only 6.0% and 5.5% respectively.  
4 Both are insufficient margins over expenses to provide for a financially healthy utility.

5 **Q. WHY WAS A TEN PERCENT OPERATING MARGIN SELECTED?**

6 A. Chino believes that a 15% or 20% operating margin would be appropriate. Nevertheless,  
7 Chino selected a ten percent operating margin because it is the operating margin most  
8 often used by Staff when setting rates on an operating margin basis. In addition, Chino  
9 recognizes that Staff may be reluctant to embrace operating margin rate making for a  
10 Class C water company. Accordingly, Chino has selected what it believes to be the  
11 minimum operating margin appropriate for a company of its small size. Chino also notes  
12 that it is in the lower quartile of the Class C range (a range that has not been increased for  
13 many years) and is more similar to a Class D company than a Class B company. Chino  
14 believes maintaining a healthy operating margin is critical to maintaining its financial  
15 health on a going forward basis and asks that Staff consider an operating margin  
16 approach to setting rates in this Case.

17 **IV RATE BASE**

18 **Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSED ADJUSTMENTS TO**  
19 **RATE BASE SHOWN ON SCHEDULES RLJ-3 AND RLJ-4?**

20 A. The Company's proposed adjustments result in a net decrease of \$12,556, from \$225,397  
21 to \$212,841. The decrease is due to adopting in large part the adjustments recommended  
22 by Staff.

**Rate Base Adjustment RLJ-1 - AIAC**

**Q. DID CHINO ACCEPT STAFF'S AIAC ADJUSTMENT?**

A. Chino accepts the concept of Staff's AIAC adjustment, but proposes a slightly different adjustment amount.

**Q. WHY IS YOUR PROPOSED ADJUSTEMENT DIFFERENT FROM STAFF'S?**

A. Staff's adjustment is based on the main extension contract amounts indicated in Chino's response to Staff Data Request CSB 1-9C. However, Chino has partially refunded the main extension agreements, making the 12/31/2009 balances somewhat less than the contract amounts Chino provided to Staff. Chino has used the actual 12/31/2009 AIAC balances as shown on Schedule RLJ-5 to make the adjustment.

**Q. WHAT IS THE AMOUNT OF AIAC THE COMPANY IS RECOMENDING BE REMOVED AND RECLASSIFIED AS CIAC?**

A. The amount of AIAC recommended to be removed and reclassified is \$11,175 as shown on Schedule RLJ-5.

**Rate Base Adjustment RLJ-2 - CIAC**

**Q. DID CHINO ACCEPT STAFF'S CIAC ADJUSTMENT?**

A. Yes, except that Chino used \$11,175 as the amount to be converted to CIAC to reflect the actual 12/31/2009 main extension agreement balances as discussed previously. The adjustment is shown on Schedule RLJ-6.

**Rate Base Adjustment RLJ-3 – Amortization of CIAC**

**Q. HOW DID CHINO ADDRESS STAFF'S AMORTIZATION OF CIAC  
ADJUSTMENT?**

A. Chino used Staff's methodology, substituting \$11,175 for the amount of the CIAC additions used in the amortization calculation. The result is an increase to amortization of CIAC of \$279 as shown on Schedule RLJ-7.

**Rate Base Adjustment RLJ-4 – Customer Deposits**

**Q. DOES CHINO AGREE WITH STAFF'S PROPOSAL TO INCLUDE CUSTOMER  
DEPOSITS IN THE RATE BASE CALCULATION?**

A. Yes, Chino has increased Customer Deposits by \$11,330 as recommended by Staff and shown on Schedule RLJ-8.

**Rate Base Adjustment RLJ-5 – Cash Working Capital**

**Q. HOW DID THE COMPANY CALCULATE ITS CASH WORKING CAPITAL  
ADJUSTMENT?**

A. Chino has calculated cash working capital using the same formula methodology proposed by Staff using the Company's recommended operating expenses. The Company's proposed decrease in cash and working capital is \$5,005 as shown on Schedule RLJ-9.

**Rate Base Adjustment RLJ-6 – Post-Test Year Plant**

**Q. PLEASE EXPLAIN YOUR ADJUSTMENT FOR POST TEST YEAR PLANT?**

A. Staff Operating Income Adjustment No. 7 removes the Company's pro forma adjustment for system support from expenses because the costs were not incurred in the test year and should be capitalized. The Company agrees with Staff's proposed removal of the cost from expenses, but believes the cost should be allowed as a post-test year adjustment to plant in service. Chino's Rate Base Adjustment RLJ-6 adds the actual cost of the computer system upgrades incurred between 4/5/2010 and 8/17/2010 to plant in service.

As shown in Schedule RLJ-10, the adjustment increases plant in service by \$3,500.

Documentation for the actual cost of the upgrades is provided as Exhibit B.

**V INCOME STATEMENT**

**Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSED ADJUSTMENTS TO REVENUE AND EXPENSES SHOWN ON SCHEDULES RLJ-11 AND RLJ-12?**

A. The Company does not propose any adjustments to revenue and agrees with test year revenue of 351,633 as proposed by Staff. The Company's proposed adjustments to expenses result in test year expenses of \$346,609, a net decrease of \$7,302 from \$353,911.

**Income Statement Adjustment RLJ-1 – Salaries and Wages, Employees**

**Q. DOES CHINO AGREE WITH STAFF'S SALARIES AND WAGES ADJUSTMENT?**

A. No. Chino believes that Staff has inappropriately removed legitimate salaries and wage expense. I will discuss each of staff's adjustments separately.

*Allocate \$19,563 to Regulated Affiliate*

**Q. DOES CHINO TRACK PAYROLL COSTS INCURRED ON BEHALF OF GRANITE?**

A. Yes, Chino uses time sheets to capture the actual payroll cost of Chino employees performing work in Granite's service area.

**Q. WHAT IS THE AMOUNT OF PAYROLL ATTRIBUTABLE TO GRANITE DURING THE TEST YEAR?**

A. The amount recorded is \$5,248. The detail is provided in Exhibit C.

1 **Q. WHAT AMOUNT OF EXPENSE DOES THE COMPANY PROPOSE TO**  
2 **ALLOCATE TO GRANITE?**

3 A. Chino proposes allocating the actual recorded cost of \$5,248 as shown on Schedule RLJ-  
4 13.

5 **Q. WHY SHOULDN'T THE COMMISSION ALLOCATE THE SAME AMOUNT AS**  
6 **WAS ALLOCATED IN GRANITE'S LAST RATE CASE AS RECOMMENDED**  
7 **BY STAFF?**

8 A. Because the actual recorded cost incurred during the test year gives the best indication of  
9 the actual cost of salaries and wages incurred on behalf of Granite. In addition, Granite's  
10 last rate case was based on an earlier test year (12/31/2008) and the amount allocated was  
11 estimated. Also, Staff is proposing and the Company is accepting allocations of  
12 transportation and insurance expenses to Granite in this Case even though allocations  
13 were not made in Granite's last rate case.

14 *\$10,400 Pro Forma Salary and Wage Increase*

15 **Q. DOES CHINO AGREE WITH STAFF'S DISALLOWANCE OF \$7,280 OF THE**  
16 **\$10,400 PRO FORMA ADJUSTMENT RECOMMENDED BY THE COMPANY?**

17 A. No. On January 1, 2011 the Company issued increases with an annual cost of \$7,280 to  
18 three of its employees. Exhibit D provides the details of these increases.

19 *Normalize Overtime Charges*

20 **Q. DOES CHINO ACCEPT STAFF'S NORMALIZATION OF OVERTIME**  
21 **EXPENSE?**

22 A. Yes. The adjustment is reflected on Schedule RLJ-13

*Remove Bonuses*

**Q. DOES CHINO AGREE WITH THE REMOVAL OF BONUSES AS PROPOSED BY STAFF?**

A. No. Chino believes that bonuses are a critical and appropriate component of its compensation program.

**Q. WHY DOES CHINO USE BONUSES AS PART OF ITS COMPENSATION PACKAGE?**

A. Chino uses bonuses to recognize individuals for their exceptional effort in providing services. Chino believes that the extra effort of its employees results in superior customer service, saves time and expense and assists Chino in meeting its goal to provide safe reliable water that meets or exceed the safe drinking water standards. In addition, the bonus program assists in employee retention and insures a knowledgeable work force. Without the bonus program, Chino would need to raise base salaries to be competitive in the market and to retain employees.

**Q. WHAT DOES THE COMPANY PROPOSE IN REGARD TO BONUSES?**

A. The Company proposes a compromise with 50% of the bonus being included in rates and 50% of the bonus being disallowed. The Company understands that this is a treatment afforded many regulated water companies.

**Q. PLEASE SUMMARIZE THE COMPANY'S SALARY AND WAGES ADJUSTMENT FOR EMPLOYEES?**

A. The Company's adjustment removes \$5,248 for salaries incurred on behalf of Granite, removes \$2,761 to normalize overtime charges and removes \$800 representing one half of the bonus expense. The resulting adjustment is an \$8,809 reduction in salary and wage expense.



**Income Statement RLJ-2 – Salaries and Wages, Officers, Directors, and Stockholders**

**Q. WHAT IS THE COMPANY'S POSITION ON STAFF'S PROPOSED  
REDUCTION TO SALARIES AND WAGES FOR MR. LEVIE?**

A. The Company does not support this adjustment. The Company pays Mr. Levie a wage of \$35,498 for providing management services to Chino. My experience indicates that this is a reasonable wage for a company of this size. Staff has provided no evidence that the wage is unreasonable or otherwise imprudent. Accordingly, Staff's adjustment should be rejected.

Staff did make an estimate of the number of hours they felt Mr. Levie should require to perform his duties. Staff's estimate reduced the hours from the Company's estimate of 80 hours per month of 69 hours per month. The Company does not believe that Staff is in a position to accurately estimate the time Mr. Levie spends working for Chino.

Accordingly, Staff's time estimate should be rejected as speculative.

Furthermore Staff's time estimate is irrelevant. The only matter that should be at issue is whether or not the actual cost of \$35,498 incurred by Chino was reasonable and prudent.

Mr. Levie's salary is a reasonable salary for the management of a Class C water company. The actual cost of the salary, whether it represents 69 hours of work or 80 hours of work, should be included in rates.

**Income Statement Adjustments RLJ-3, RLJ-4 & RLJ-5**

**Q. DOES THE COMPANY ACCEPT STAFF ADJUSTMENTS FOR LEGAL  
SERVICES, TESTING AND TRANSPORTATION EXPENSE?**

A. Yes, the Company accepts these adjustments and has reflected the proposed adjustments on Schedules RLJ-15, RLJ-16 & RLJ-17.

**Income Statement Adjustment No. 6 – Insurance, General Liability**

**Q. WHAT IS THE COMPANY'S POSITION REGARDING ALLOCATION OF INSURANCE COSTS?**

A. The Company agrees with Staff that an appropriate insurance costs should be allocated to Granite. Chino notes, however, that no such allocation was made in Granite's previous rate case. Chino does not agree with Staff's proposed 2-Factor allocation methodology. The Company feels that Staff's use of Net Plant overly skews the allocation to the much smaller Granite. This is due to the relatively new plant at Granite with higher original cost and lower accumulated depreciation.

The Company feels a 3-factor allocation is more appropriate. The Company proposes to use Number of Customers, Plant in Service and O&M Expense as the three factors. The Company believes these factors produce a more realistic allocation of costs and are consistent with allocation methods used by other companies.

**Q. WHAT IS THE RESULT OF THE COMPANY'S PROPOSED ALLOCATION METHOD?**

A. As shown on Schedule RLJ-18, Chino's insurance expense is reduced by \$3,038.

**Income Statement Adjustment RLJ-7 – System Support Expense**

**Q. DOES CHINO ACCEPT STAFF'S SYSTEM SUPPORT ADJUSTMENT?**

A. Chino agrees that the system support costs should be charged to capital and accepts Staff's proposed adjustment as shown on Schedule RLJ-19.

**Income Statement Adjustment RLJ-8 – Rate Case Expense**

**Q. HAS CHINO UPDATED ITS RATE CASE EXPENSE ESTIMATE?**

A. Yes. Chino now expects to incur rate case expense in the amount of at least \$30,000. The amount has increased to include the cost of Mr. Jones' services and to include the cost of outside counsel to represent Chino in this case.

**Q. WHAT AMORTIZATION PERIOD DOES THE COMPANY PROPOSE?**

A. The Company believes a three year amortization period is appropriate, since the Company is likely to need to file for another rate increase within three years. However, the Company understands why Staff has recommended a five year amortization period and proposes a compromise amortization period of four years.

**Q. WHAT IS THE RESULTING RATE CASE EXPENSE RECOMMENDED BY THE COMPANY?**

A. As shown on Schedule RLJ-20, the resulting rate case expense is \$7,500 per year which requires an increase of \$7,058 in rate case expense.

**Income Statement Adjustment RLJ-9 – Miscellaneous Expense**

**Q. WHAT IS THE COMPANY'S POSITION REGARDING MISCELLANEOUS EXPENSES?**

A. As indicated in Data Request Response CSB 1-29 the Company agrees that \$1,237 related to an old bank account should be removed from miscellaneous expense and has made this adjustment as shown on Schedule RLJ-21. The Company believes that relatively minor level of charges for meals and similar costs in the amount of \$2,249 should be included in rates. As explained in Data Request Response CSB 4-1, the Company occasionally purchases food for employees to facilitate repairs of water mains, for administrative meetings and similar business purposes. While, the Company believes

1           these amounts should be included in rates, the Company proposes a compromise position  
2           by removing \$617 of the meals expense associated with administrative meetings.

3           The resulting adjustment to miscellaneous expense is \$1,854 as shown in Schedule RLJ-  
4           21.

5           **Income Statement Adjustment RLJ-10 – Property Taxes**

6           **Q.     HAS THE COMPANY ADJUSTED ITS PROPERTY TAX EXPENSE?**

7           A.     Yes. The Company has adjusted property tax expense using the modified Arizona  
8           Department of Revenue Methodology as recommended by Staff.

9           **Income Statement Adjustment RLJ-11 – Payroll Taxes**

10          **Q.     WHAT IS THE COMPANY'S POSITION ON PAYROLL TAXES?**

11          A.     Since the Company does not agree with Staff's payroll adjustment (RLJ-1), the Company  
12          believes its pro forma adjustment of \$1,212 should remain in rates. The Company has  
13          reduced payroll taxes by \$428, as shown on Schedule RLJ-23, to account for payroll  
14          taxes on payroll incurred on behalf of Granite. The detail is provided in Exhibit C.

15          **Income Statement Adjustment RLJ-12 – Depreciation Expense**

16          **Q.     HAS CHINO ADOPTED STAFF'S DEPRECIATION EXPENSE ADJUSTMENT?**

17          A.     Chino has adopted the proposed depreciation expense and methodology put forth by  
18          Staff. A minor adjustment to the amortization of CIAC component was made to conform  
19          to the new CIAC balance per Rate Base Adjustment RLJ-2. The result is an increase in  
20          depreciation expense of \$13,897 as shown on Schedule RLJ-24.

**Income Statement Adjustment RLJ-13 – Income Taxes**

**Q. HAS THE COMPANY RECALCULATED INCOME TAX EXPENSE?**

A. Yes the Company has calculated income tax expense based on the Company's adjusted test year taxable income. The result is a \$1,374 increase in income tax expense as shown on Schedule RLJ-25.

**Income Statement Adjustment RLJ-14 – Leak Detection Expense**

**Q. HAS THE COMPANY PROPOSED TO INCLUDE A PRO FORMA EXPENSE FOR LEAK DETECTION SERVICES?**

A. Yes. The Company had originally included this amount in the Contract Services Testing account. Staff has recommended removing the expense from that account and the Company agreed with that adjustment. However, Staff has not proposed adding the expense in another category. As discussed in the following section, the Company believes that the leak detection expense should be included and has increased the Contract Services – Other account by \$2,296 as shown on Schedule RLJ-26. A proposal for conduction Leak Detection is attached as Exhibit E.

**Income Statement Adjustment RLJ-15 – Interest on Deposits**

**Q. WHY HAS THE COMPANY INCLUDED INTEREST ON CUSTOMER SECURITY DEPOSITS AS AN OPERATING EXPENSE?**

A. The Company has included the interest expense because the Customer Deposits have been deducted from rate base. When customer deposits are removed from rate base it is appropriate to include the interest expense as an operating expense.

**Q. DID STAFF INCLUDE INTEREST EXPENSE IN OPERATING EXPENSE?**

A. No they did not. Although they do not address the issue in their testimony, I believe that the interest expense was not included because Chino did not record any interest expense during the test year.

1 **Q. IF CHINO DID NOT INCUR INTEREST EXPENSE DURING THE TEST YEAR,**  
2 **WHY SHOULD INTEREST EXPENSE BE ALLOWED?**

3 A. Because Chino has incurred interest expense on the test year deposit balance and will  
4 incur interest expense on a going forward basis. During 2010, the Company became  
5 aware that it had not paid the interest due on its deposits during the test year. The  
6 Company retroactively calculated and paid the interest due on its customer security  
7 deposits in 2010 and has put procedures in place to refund deposits and pay deposit  
8 interest on a monthly basis going forward.

9 **Q. WHAT AMOUNT OF INTEREST IS CHINO PROPOSING?**

10 A. As shown on Schedule RLJ-27, Chino is proposing interest expense of \$680 per year  
11 which is calculated from the test year deposit balance at the Commission prescribed  
12 interest rate of 6.0%.

13 **VI OTHER ISSUES**

14 **Q. ARE THERE ANY ISSUES FROM THE ENGINEERING REPORT THAT YOU**  
15 **WOULD LIKE TO DISCUSS?**

16 A. There is one issue that I feel should be addressed from the Engineering Report. Staff  
17 observes that Chino does not have a BMP Tariff and recommends that Chino adopt five  
18 BMPs within 90 days of the effective date of a Decision in this case. Staff also states that  
19 the Company may request cost recovery for the implemented BMPs in its next rate case.  
20 Although the Company supports groundwater management and the efforts implemented  
21 by the Commission to promote water conservation, the Company is concerned that  
22 Staff's recommendation is a step too far for this small company.

23 Chino is classified as a small provider by ADWR. As such, Chino is not required to  
24 implement any BMPs under ADWR's Modified Non Per Capita Water Conservation  
25 Program ("MNPCCP"). Once Chino becomes a large provider, it will only have to

1 implement one BMP until such time as it reaches 5,001 customers. The effect of Staff's  
2 recommendation is to require a small provider with only about 900 customers and only  
3 five employees to implement a program suitable to a much larger company. Chino is  
4 concerned that the costs and effort required to implement five BMPs will be beyond its  
5 financial, technical and staffing capabilities and not prove cost effective for its customers.

6 Chino is not asking to be excused from water conservation efforts. In fact Chino has  
7 voluntarily obtained a proposal to perform professional leak detection services for its  
8 system and has proposed to include the cost of the leak detection in this Case. Chino  
9 believes that its system would benefit from the leak detection services and proposes to  
10 implement leak detection and other conservation efforts on an ongoing basis, provided  
11 that it can get cost recovery for its effort.

12 Chino asks Staff to reconsider its recommendation to require Chino to implement five  
13 BMPs and instead require Chino to implement one BMP and authorize Chino to include  
14 the cost of the leak detection program in rates as proposed in Income Statement  
15 Adjustment RLJ-14.

16 **Q. DOES THE COMPANY ACCEPT STAFF'S COST OF CAPITAL?**

17 A. The Company agrees that Staff's proposed 9.6% return on equity and rate base is an  
18 appropriate cost of capital to use in this proceeding should rate be based on providing a  
19 return on rate base. However, the Company is recommending that rates be set to provide  
20 and operating margin of 10.0% rather than using the 9.6% cost of capital. The Company  
21 has not had time to review the cost of capital testimony in detail and reserve the right to  
22 address the testimony in rejoinder if necessary.

**VII    RATE DESIGN**

**Q.    DOES THE COMPANY HAVE ANY COMMENTS ON THE SERVICE  
CHARGES PROPOSED BY STAFF?**

A.    The company is concerned that Staff's recommended charge for a meter test is too low. Staff is recommending a \$20.00 fee for a meter test. This past July, Chino conducted a meter test and the postage cost alone was \$17.91, leaving little or nothing to cover labor and materials costs. Chino has proposed a fee of \$35.00, which is the same fee recently approved for Granite. Chino's research indicates that this fee is at or below the fee imposed by many other companies and requests that Staff change its recommended fee to \$35.00.

**Q.    DOES THE COMPANY HAVE ANY COMMENTS ON THE RATE DESIGN  
PROPOSED BY STAFF?**

A.    It is difficult to comment on Staff's rate design since the Company is recommending an increase and Staff is recommending a decrease. Generally, Chino is concerned that moving to a three tier conservation oriented rate design will result in Chino under earning regardless of the overall rate increase or decrease approved. Accordingly, Chino is opposed in any decrease in its base charge and believes that, if possible, all consumption tiers should be at or above the current commodity rate.

**Q.    HAS THE COMPANY PROVIDED AN UPDATED RATE DESIGN WITH ITS  
REBUTTAL TESTIMONY?**

A.    No. The Company is hoping that Staff's surrebuttal position will be more closely aligned with the Company's rebuttal position to allow a more meaningful evaluation of Staff's proposed rate design. The Company will present an updated rate design with its rejoinder testimony.



1   **Q.     DOES THIS CONCLUDE YOUR TESTIMONY?**

2   **A.     Yes.**

## SCHEDULES

RLJ-1 – RLJ-27

Computation of Increase in Gross Revenue Requirements

Line No.	Company As Filed	Company Rebuttal RB Method	Company Rebuttal OM Method
1	<b><u>Rate Base Method</u></b>		
2	\$ 225,397	\$ 212,841	
3			
4	(2,278)	\$ 5,024	
5			
6	-1.01%	2.36%	
7			
8	10.81%	9.60%	
9			
10	\$ 82,318	\$ 20,433	
11			
12	\$ 88,912	\$ 15,409	
13			
14	1.3699	1.2806	
15			
16	\$ 84,641	\$ 19,733	
17			
18	\$ 351,633	\$ 351,633	
19			
20	\$ 436,274	\$ 371,366	
21			
22	24.07%	5.61%	
23			
24	<b><u>Operating Margin Method</u></b>		
25			1.43%
26			
27			\$ 5,024
28			
29			10.00%
30			
31			\$ 34,566
32			
33			1.2806
34			
35			\$ 44,266
36			
37			\$ 351,633
38			
39			\$ 395,899
40			
41			12.59%
42			

Computation of Gross Revenue Conversion Factor

Line			
<u>No.</u>			
1	<u>Calculation of Effective Tax Rate</u>		
2	Operating Income Before Taxes	100.0000%	
3	State Tax Rate	6.9680%	
4	Federal Taxable Income	93.0320%	
5	Federal Tax Rate	15.0000%	
6	Effective Federal Tax Rate	13.9548%	
7			
8	Combined Effective Tax Rate		20.9228%
9			
10	<u>Calculation of Effective Property Tax Rate</u>		
11	Unity	100.0000%	
12	Combined Effective Tax Rate	20.9228%	
13	One Minus Combined Effective Tax Rate	79.0772%	
14	Property Tax Factor	1.2530%	
15	Effective Property Tax Factor		0.9908%
16			
17	Federal and State Income Tax Rate and Property Tax Rate		21.9136%
18			
19	<u>Calculation of Gross Revenue Conversion Factor</u>		
20	Revenue	100.0000%	
21	Combined Tax and Property Tax Rate	21.9136%	
22	Operating Income Percentage	78.0864%	
23	Gross Revenue Conversion Factor	1.28063	
24			
25			

Summary of Original Cost Rate Base Elements

Line <u>No.</u>		Company <u>As Filed</u>	Company <u>Rebuttal</u>
1			
2	Gross Utility Plant in Service	\$ 761,698	\$ 765,198
3	Less: Accumulated Depreciation	508,828	508,828
4	Net Utility Plant in Service	<u>\$ 252,870</u>	<u>\$ 256,370</u>
5			
6	Less:		
7	Advances in Aid of Construction	\$ 19,004	\$ 7,829
8	Service Line and Meter Advances	42,208	42,208
9	Contributions in Aid of Construction (CIAC)	12,809	23,984
10	Less: Accumulated Amortization of CIAC	<u>2,631</u>	<u>2,910</u>
11	Net CIAC	\$ 10,178	\$ 21,074
12			
13	Total Advances and Contributions	\$ 71,390	\$ 71,111
14			
15	Customer Security Deposits	\$ -	\$ 11,330
16			
17	Accumulated Deferred Income Taxes	\$ -	\$ -
18			
19	Plus:		
20	Working Capital Allowance	\$ 37,764	\$ 32,759
21	Materials and Supplies Inventories	\$ 3,024	\$ 3,024
22	Prepayments	\$ 3,129	\$ 3,129
23			
24	Rate Base	<u>\$ 225,397</u>	<u>\$ 212,841</u>
25			

Original Cost Rate Base Pro forma Adjustments

Line No.	[A] Company As Filed	[B] ADJ RLJ-1	[C] ADJ RLJ-2	[D] ADJ RLJ-3	[E] ADJ RLJ-4	[F] ADJ RLJ-5	[G] ADJ RLJ-6	[H] Adjusted End of Test Year
1								
2	Gross Utility Plant in Service	\$ 761,698					\$ 3,500	\$ 765,198
3	Less: Accumulated Depreciation	508,828						508,828
4	Net Utility Plant in Service	\$ 252,870	\$ -	\$ -	\$ -	\$ -	\$ 3,500	\$ 256,370
5								
6	Less:							
7	Advances in Aid of Construction	19,004	(11,175)					7,829
8	Service Line and Meter Advances	42,208						42,208
9								
10	Contributions in Aid of Construction (CIAC)	12,809	11,175					23,984
11	Less: Accumulated Amortization of CIAC	2,631		279				2,910
12	Net CIAC	10,178	- 11,175	(279)	-	-		21,074
13								
14	Total Advances and Contributions	71,390	(11,175)	(279)	-	-		71,111
15								
16	Customer Security Deposits	-			11,330			11,330
17	Accumulated Deferred Income Taxes	-						-
18								
19	Plus:							
20	Working Capital Allowance	37,764				\$ (5,005)		32,759
21	Materials and Supplies Inventories	3,024						3,024
22	Prepayments	3,129						3,129
23								
24	Rate Base	225,397	11,175	(11,175)	279	(11,330)	(5,005)	212,841
25								

Rate Base Adjustment RLJ-1

Line

No.

1 Adjust AIAC Balance to Reflect Expired Main Extension Agreements

2

4

5 Description

6

7 AIAC - Main Extension Contracts

8

9

10

11 Expiring Contracts

12

13

14

15

16

17

18

Company

As Filed

Company

Adjustment

Company

Adjusted

Balance

\$ 19,004 \$ (11,175) \$ 7,829

Contract

Balance

12/31/2009

1,144

2,626

926

2,453

4,026

11,175

Rate Base Adjustment RLJ-2

Line

No.

1 Adjust CIAC Balance to Reflect Expired Main Extension Agreements

2

3

4 Description

Company

Company

Company

As Filed

Adjustment

Adjusted

Balance

5

6 Gross CIAC

\$ 12,809 \$ 11,175 \$ 23,984

7

8

9

10

11

12

13

14

15

16

17

18



Rate Base Adjustment RLJ-3

Line

No.

1 Adjust Amortization of CIAC

2

3

4 Description

5

6 Amortization of CIAC - As Filed

7 Amortization of CIAC - Additions

8

9

10

11

12

13

14

15

16

17

18

	Company		Company	Company
	As Filed		Adjustment	Adjusted
				Balance
6	\$ 2,631	\$ -	\$ 2,631	
7	-	279	279	
8	\$ 2,631	\$ 279	\$ 2,910	

Calculation of Amortization of CIAC

CIAC Amortization Rate 2.50% (5.0% x 1/2 year)

CIAC Additions \$ 11,175

Amortization of CIAC \$ 279

Rate Base Adjustment RLJ-4

Line

No.

1 Accept Staff Rate Base Adjustment No. 4 - Customer Deposits

2

3

4 Description

5

6 Customer Deposits

7

8

9

10

11

12

13

14

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16

17

18

Company  
As Filed

Company  
Adjustment

Company  
Adjusted  
Balance

\$ - \$ 11,330 \$ 11,330 Accept Staff Adjustment

Rate Base Adjustment RLJ-5

Line

No.

1 Adjustment to Reflect Cash Working Capital

2

3

4 Description

5

6 Cash Working Capital

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

Company

As Filed

Company

Adjustment

Company

Adjusted

Balance

\$ 37,764 \$ (5,005) \$ 32,759

Operation and Maintenance Expense \$ 346,609

Less

Depreciation 39,029

Taxes 30,338

Purchased Power 22,657

Purchased Water 100

Net Operation and Maintenance Expense \$ 254,485

Multiplied by 1/8

\$ 31,811

Purchased Power and Purchased Water \$ 22,757

Multiplied by 1/24

\$ 948

Total Cash Working Capital \$ 32,759

Rate Base Adjustment RLJ-6

Line

No.

1 Adjustment to Reflect Post-Test Year Plant

2

3

4 Description

5

6 Plant In Service

7

8

9

10

11

12

13

14

Company

As Filed

Company

Adjustment

Company

Adjusted

Balance

\$ - \$ 3,500.00 \$ 3,500.00

4/5/2010 Caselle Clarity Upgrade Payment \$ 688

8/17/2010 Caselle Clarity Final Upgrade Payment 688

8/17/2010 Caselle Cash Receipts Module 2,125

\$ 3,500

Operating Income - Test Year and Company Proposed

Line No.		Company Test Year Ended 12/31/2009	Company Adjustments	Company Test Year as Adjusted	Company Proposed Increase	Company With Rate Increase
1	<b>Revenues</b>					
2	Metered Water Revenues	\$ 344,260	\$ -	\$ 344,260	\$ 44,266	\$ 388,526
3	Other Water Revenues	7,373	-	7,373		7,373
4	<b>Total Revenues</b>	<b>\$ 351,633</b>	<b>\$ -</b>	<b>\$ 351,633</b>	<b>\$ 44,266</b>	<b>\$ 395,899</b>
5	<b>Operating Expenses</b>					
6	Salaries and Wages - Employees	\$ 126,312	\$ (8,809)	\$ 117,503		\$ 117,503
7	Salaries and Wages - Officers, Dir., Stockholder	35,498	-	35,498		35,498
8	Purchased Water	100	-	100		100
9	Purchased Power	22,657	-	22,657		22,657
10	Chemicals	884	-	884		884
11	Materials & Supplies & Repairs & Maintenance	16,148	-	16,148		16,148
12	Office Supplies Expense	17,050	-	17,050		17,050
13	Contract Services Engineering	-	-	-		-
14	Contract Services Accounting	600	-	600		600
15	Contract Services Legal	3,995	(2,995)	1,000		1,000
16	Contract Services Testing	7,062	(2,296)	4,766		4,766
17	Contract Services Other	9,263	2,296	11,559		11,559
18	Rents	6,000	-	6,000		6,000
19	Equipment Rental	246	-	246		246
20	Transportation Expense	15,726	(1,582)	14,144		14,144
21	Insurance - General Liability	11,848	(3,038)	8,810		8,810
22	Insurance - Worker's Compensation	2,555	-	2,555		2,555
23	Insurance - Other	165	-	165		165
24	System Support	4,339	(1,463)	2,876		2,876
25	Regulatory Expense	442	7,058	7,500		7,500
26	Bad Debt Expense	1,356	-	1,356		1,356
27	Miscellaneous Expense	4,089	(1,854)	2,235		2,235
28	Licensing & Permits	2,910	-	2,910		2,910
29	Tax - Other	6,446	-	6,446		6,446
30	Property Taxes	22,329	(10,142)	12,187	555	12,742
31	Payroll Taxes	10,804	(428)	10,376		10,376
32	Depreciation Expense	25,132	13,897	39,029		39,029
33	Interest on Deposits	-	680	680		680
34	<b>Operating Income Before Income Taxes</b>	<b>\$ 353,956</b>	<b>\$ (8,676)</b>	<b>\$ 345,280</b>	<b>\$ 555</b>	<b>\$ 345,835</b>
35	Income Taxes	(45)	1,374	1,329	9,146	10,475
36	<b>Total Operating Expenses</b>	<b>\$ 353,911</b>	<b>\$ (7,302)</b>	<b>\$ 346,609</b>	<b>\$ 9,700</b>	<b>\$ 356,310</b>
37						
38	<b>Operating Income (Loss)</b>	<b>\$ (2,278)</b>	<b>\$ 7,302</b>	<b>\$ 5,024</b>	<b>\$ 34,566</b>	<b>\$ 39,590</b>
39						
40					Operating Margin	10.00%
41						
42						

Summary of Income Statement Adjustments

Line No.		[A] Company As Filed	[B] ADJ RJ-1	[C] ADJ RJ-2	[D] ADJ RJ-3	[E] ADJ RJ-4	[F] ADJ RJ-5	[G] ADJ RJ-6	[H] ADJ RJ-7
1	Revenues								
2	Metered Water Revenues	\$ 344,260							
3	Other Water Revenues	7,373							
4	<b>Total Revenues</b>	\$ 351,633	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	<b>Operating Expenses</b>								
6	Salaries and Wages - Employees	\$ 126,312	\$ (8,809)						
7	Salaries and Wages - Officers, Dir., Stockholder	35,498							
8	Purchased Water	100							
9	Purchased Power	22,657							
10	Chemicals	884							
11	Materials & Supplies & Repairs & Maintenance	16,148							
12	Office Supplies Expense	17,050							
13	Contract Services Engineering	-							
14	Contract Services Accounting	600			(2,995)				
15	Contract Services Legal	3,995							
16	Contract Services Testing	7,062				(2,296)			
17	Contract Services Other	9,263							
18	Rents	6,000							
19	Equipment Rental	246							
20	Transportation Expense	15,726					(1,582)		
21	Insurance - General Liability	11,848						(3,038)	
22	Insurance - Worker's Compensation	2,555							
23	Insurance - Other	165							(1,463)
24	System Support	4,339							
25	Regulatory Expense	442							
26	Bad Debt Expense	1,356							
27	Miscellaneous Expense	4,089							
28	Licensing & Permits	2,910							
29	Tax - Other	6,446							
30	Property Taxes	22,329							
31	Payroll Taxes	10,804							
32	Depreciation Expense	25,132							
33	Interest on Deposits	-							
34	<b>Operating Income Before Income Taxes</b>	\$ 353,956	\$ (8,809)	\$ -	\$ (2,995)	\$ (2,296)	\$ (1,582)	\$ (3,038)	\$ (1,463)
35	Income Taxes	(45)							
36	<b>Total Operating Expenses</b>	\$ 353,911	\$ (8,809)	\$ -	\$ (2,995)	\$ (2,296)	\$ (1,582)	\$ (3,038)	\$ (1,463)
37									
38	<b>Operating Income (Loss)</b>	\$ (2,278)	\$ 8,809	\$ -	\$ 2,995	\$ 2,296	\$ 1,582	\$ 3,038	\$ 1,463

## [Q]

Line No.	Revenues	ADJ RLJ-8	ADJ RLJ-9	ADJ RLJ-10	ADJ RLJ-11	ADJ RLJ-12	ADJ RLJ-13	ADJ RLJ-14	ADJ RLJ-15	Company Adjusted
1	Metered Water Revenues									\$ 344,260
2	Other Water Revenues									7,373
3										
4	<b>Total Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 351,633
5	<b>Operating Expenses</b>									
6	Salaries and Wages - Employees									\$ 117,503
7	Salaries and Wages - Officers, Dir., Stockholder									35,498
8	Purchased Water									100
9	Purchased Power									22,657
10	Chemicals									884
11	Materials & Supplies & Repairs & Maintenance									16,148
12	Office Supplies Expense									17,050
13	Contract Services Engineering									-
14	Contract Services Accounting									600
15	Contract Services Legal									1,000
16	Contract Services Testing									4,766
17	Contract Services Other							2,296		11,559
18	Rents									6,000
19	Equipment Rental									246
20	Transportation Expense									14,144
21	Insurance - General Liability									8,810
22	Insurance - Worker's Compensation									2,555
23	Insurance - Other									165
24	System Support									2,876
25	Regulatory Expense	7,058								7,500
26	Bad Debt Expense		(1,854)							1,356
27	Miscellaneous Expense									2,235
28	Licensing & Permits									2,910
29	Tax - Other			(10,142)						6,446
30	Property Taxes				(428)					12,187
31	Payroll Taxes					13,897				10,376
32	Depreciation Expense									39,029
33	Interest on Deposits								680	680
34	<b>Operating Income Before Income Taxes</b>	\$ 7,058	\$ (1,854)	\$ (10,142)	\$ (428)	\$ 13,897	\$ -	\$ 2,296	\$ 680	\$ 345,280
35	Income Taxes						1,374			1,329
36	<b>Total Operating Expenses</b>	\$ 7,058	\$ (1,854)	\$ (10,142)	\$ (428)	\$ 13,897	\$ 1,374	\$ 2,296	\$ 680	\$ 346,609
37										
38	<b>Operating Income (Loss)</b>	\$ (7,058)	\$ 1,854	\$ 10,142	\$ 428	\$ (13,897)	\$ (1,374)	\$ (2,296)	\$ (680)	

Income Statement Adjustment RLJ-1

Line

No.

1 Salaries and Wages - Employees

2

3

4 Description

5

6 Salaries and Wages - Employees

7

8

9

10 To remove salaries and wages chargeable to Granite Mountain \$ (5,248) Chino Payroll Records

11 To normalize overtime charges \$ (2,761) Per Staff Direct

12 To remove 50% of bonuses \$ (800) 1/2 G/L acct. No. 6601.00

13 \$ (8,809)

14

15

Company

As Filed

Company

Adjustment

Company

Adjusted

Balance

\$ 126,312 \$ (8,809) \$ 117,503

Salaries and Wages Adjustment



Income Statement Adjustment RLJ-2

Line

No.

1 Salary and Wages - Officers, Directors, Stockhldr

2

3

4 Description

5

6 Salary and Wages - Officers, Directors, Stockhldr \$ 35,498.00 \$ - \$ 35,498.00

7

8

9

10

Company

As Filed

Company

Adjustment

Company

Adjusted

Balance

Income Statement Adjustment RLJ-3

Line

No.

1 Contract Services - Legal

2

3

4 Description

5

6 Contract Services - Legal

7

8

9

10

Company  
As Filed

Company  
Adjustment

Company  
Adjusted  
Balance

\$ 3,995 \$ (2,995) \$ 1,000 Accept Staff Adjustment

Income Statement Adjustment RLJ-4

Line

No.

1 Contract Servcies - Testing

2

3

4 Description

5

6 Contract Servcies - Testing

7

8

9

10

Company  
As Filed

Company  
Adjustment

Company  
Adjusted  
Balance

\$ 7,062 \$ (2,296) \$ 4,766 Accept Staff Adjustment

Income Statement Adjustment RLJ-5

Line

No.

1 Transportation Expense

2

3

4 Description

5

6 Transportation Expense

7

8

9

10

Company

As Filed

Company

Adjustment

Company

Adjusted

Balance

\$ 15,726 \$ (1,582) \$ 14,144 Accept Staff Adjustment

Income Statement Adjustment RLJ-6

Line

No.

1 Insurance, General Liability

2

3

4 Description

5

6 Insurance, General Liability

7

8

9

10

11

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35

36

Company As Filed	Company Adjustment	Company Adjusted Balance
\$ 11,848	\$ (3,038)	\$ 8,810

Insurance, General Liability Expense			
	Amount Before Allocation	Allocation Percentage	Allocated Amount
Chino Meadows	11,848	0.7436	8,810
Granite Mountain	11,848	0.2564	3,038

Calculation of Three-Factor Allocation					
	Number of Customers	Plant In Service	O & M Expense	Total	Allocation Percentage
Chino Meadows	0.8994	0.5150	0.8164	2.2307	0.7436
Granite Mountain	0.1006	0.4850	0.1836	0.7693	0.2564
	1.0000	1.0000	1.0000	3.0000	1.0000

Allocation Factors			
	Chino Meadows	Granite Mountain	Total
Customers	876 0.8994	98 0.1006	974 1.0000
Plant In Service	\$ 765,198 0.5150	\$ 720,673 0.4850	\$ 1,485,871 1.0000
O&M Expense	\$ 346,609 0.8164	\$ 77,959 0.1836	\$ 424,568 1.0000

Income Statement Adjustment RLJ-7

Line

No.

1 System Support

2

3

4 Description

5

6 System Support

7

8

9

10

Company  
As Filed

Company  
Adjustment

Company  
Adjusted  
Balance

\$	4,339	\$	(1,463)	\$	2,856	Accept Staff Adjustment
----	-------	----	---------	----	-------	-------------------------

Income Statement Adjustment RLJ-8

Line

No.

1 Rate Case Expense

2

3

4 Description

5

6 Rate Case Expense

7

8

9

10

11

12

	Company		Company		Company
	As Filed		Adjustment		Adjusted
					Balance
	\$	442	\$	7,058	\$ 7,500
Rate Case Expense	\$			30,000	
Years				4	
Expense	\$			7,500	

Income Statement Adjustment RLJ-9

Line

No.

1 Miscellaneous Expense

2

3

4 Description

5

6 Miscellaneous Expense

7

8

9

10

11

12

Company

As Filed

Company

Adjustment

Company

Adjusted

Balance

\$ 4,089.00 \$ (1,854) \$ 2,235

Out of Test Year Expense (Payment on old bank debt) \$ 1,237

Meals at administrative meetings 617

\$ 1,854



Income Statement Adjustment RLJ-10

Line

No.

1 Property Tax Expense

2

3

4 Description

Company  
As Adjusted

Company  
Proposed

5

6 Adjusted Revenues in year ended 12/31/09

\$ 351,633

\$ 351,633

7 Adjusted Revenues in year ended 12/31/09

351,633

351,633

8 Adjusted Revenues in year ended 12/31/09

351,633

9 Proposed Revenues after Increase

395,899

10 Average of three year's of revenue

351,633

366,388

11 Average of three year's of revenue, times 2

703,266

732,777

12 Add:

13 Construction Work In Progress at 10%

-

-

14 Deduct:

15 Net Book Value of Transportation Equipment

54,837

54,837

16

17 Full Cash Value

648,429

677,940

18 Assessment Ratio

21.0%

21.0%

19 Assessed Value

136,170

142,367

20 Property Tax Rate (Test Year)

8.9500%

8.9500%

21

22 Adjusted Test Year Property Tax

\$ 12,187

23 Company Proposed Property Tax

22,329

24 Test Year Adjustment

\$ (10,142)

25

26 Property Tax a Proposed Rates

\$ 12,742

27 Adjusted Test Year Property Tax

12,187

28 Increase in Property Tax due to Rate Increase

\$ 555

29

30 Increase to Property Tax Expense

\$ 555

31 Increase in Revenue Requirement

\$ 44,266

32 Increase to Property Tax per Dollar Increase in Revenue

1.2530%

33

34

35

Chino Meadows II Water Co., Inc.  
Docket No. W-02370A-10-0519  
Test Year Ended December 31, 2009

Schedule RLJ-23

Income Statement Adjustment RLJ-11

Line

No.

1 Payroll Taxes

2

3

4 Description

5

6 Payroll Taxes

7

8

9

10

Company  
As Filed

Company  
Adjustment

Company  
Adjusted  
Balance

\$	22,329	\$	(428)	\$	21,901
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Income Statement Adjustment RLJ-12

Line No.				
1	<u>Depreciation Expense</u>			
2				
3		Company	Company	Company
4	<u>Description</u>	<u>As Filed</u>	<u>Adjustment</u>	<u>Adjusted Balance</u>
5				
6	Depreciation Expense	\$ 25,132	\$ 13,897	\$ 39,029
7				
8		Composite Depreciation Rate	7.96%	From Staff Income Adjustment 12
9		CIAC	\$ 23,984	Schedule RLJ-6
10		Amortization of CIAC	\$ 1,909	
11				
12	Depreciation Expense Before Amortization of CIAC	\$ 40,938		From Staff Income Adjustment 12
13	Less Amortization of CIAC	\$ 1,909		
14	Test Year Depreciation Expense	\$ 39,029		
15	Depreciation Expense as Filed	25,132		
16	Company's Adjustment	\$ 13,897		
17				
18				

Income Statement Adjustment RLJ-13

Line No.				
1	<u>Income Tax Expense</u>			
2				
3				
4	<u>Description</u>	<u>Company</u> <u>As Filed</u>	<u>Company</u> <u>Adjustment</u>	<u>Company</u> <u>Adjusted</u> <u>Balance</u>
5				
6	Income Tax Expense	\$ (45)	\$ 1,374	\$ 1,329
7				
8			<u>Adjusted</u>	<u>Proposed</u>
9			<u>Test Year</u>	<u>with Increase</u>
10	<i>Calculation of Income Tax:</i>			
11	Revenue		\$ 351,633	\$ 395,899
12	Less: Operating Expenses - Excluding Income Taxes		345,280	345,835
13	Less: Synchronized Interest		-	-
14	Arizona Taxable Income		\$ 6,353	\$ 50,065
15	Arizona State Income Tax Rate		6.968%	6.968%
16	Arizona Income Tax		\$ 443	\$ 3,489
17	Federal Taxable Income		\$ 5,910	\$ 46,576
18	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%		887	6,986
19	Federal Tax on Second Income Bracket (\$50,001 - 75,000)		-	-
20	Total Federal Income Tax		887	6,986
21	Combined Federal and State Income Tax		<u>\$ 1,329</u>	<u>\$ 10,475</u>
22				
23	Applicable Federal Income Tax Rate		15.00%	15.00%
24				
25				
26				

Chino Meadows II Water Co., Inc.  
Docket No. W-02370A-10-0519  
Test Year Ended December 31, 2009

Schedule RLJ-26

Income Statement Adjustment RLJ-14

Line

No.

1 Leak Detection Expense

2

3

4 Description

5

6 Contract Servcies - Other

7

8

9

10

Company  
As Filed

Company  
Adjustment

Company  
Adjusted  
Balance

\$	-	\$	2,296	\$	2,296
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Income Statement Adjustment RLJ-15

Line

No.

1 Interest on Deposits

2

3

4 Description

5

6 Interest on Deposits

7

8

9

10

11

12

Company  
As Filed

Company  
Adjustment

Company  
Adjusted  
Balance

\$ - \$ 680 \$ 680

Test Year Deposit Balance \$ 11,330

Interest Rate 6.00%

Annual Interest Expense \$ 680

## EXHIBIT A

**Ray L. Jones P.E.**  
**Principal**  
**ARICOR Water Solutions, LC**  
**25213 N. 49<sup>th</sup> Drive**  
**Phoenix, Arizona 85083**

**EMPLOYMENT HISTORY**

2004 – Present

**ARICOR Water Solutions**

**Principal**

ARICOR Water Solutions offers a wide range of services to the private and public sectors. Projects include water resources strategy development, water rights evaluation and development of regulatory strategies. Services also include consultation on water and wastewater utility formation, management and operations, and valuation, including due diligence analysis and preparation of financial schedules and testimony in support of CC&N, Rate Case and other filings before the Arizona Corporation Commission. ARICOR Water Solutions provides water, wastewater and water resource master planning, water and wastewater facilities design, and owner representation; including value engineering, program management and construction oversight. Lastly, ARICOR Water Solutions supports water solutions with contract operations and expert witness testimony and litigation support.

2002 to 2004

**Arizona-American Water Company**

**President**

Responsible for leadership of the Arizona business activities of Arizona-American Water Company. Key responsibilities include developing and evaluation new business opportunities, developing strategic plans, establishing effective government and community relations, insuring compliance with all regulatory requirements, and providing management and guidance to key operations and support personnel.

1998 to 2002

**Citizens Water Resources, Arizona Operations**

**Vice President and General Manager**

Responsible for leadership of the Arizona regulated and unregulated business activities of Citizens Water Resources. Key responsibilities included developing and evaluation new business opportunities, developing strategic plans, establishing effective government and community relations, insuring compliance with all regulatory requirements, and providing management and guidance to key operations and support personnel.

1990 to 1998

**Citizens Water Resources, Arizona Operations**

**Engineering and Development Services Manager**

Responsible for management of a diverse group of business growth related activities. Responsibilities include: marketing of operation and maintenance services (unregulated business growth), management of new development activity (regulated business growth), management of engineering functions (infrastructure planning and construction), management of water resources planning and compliance, management of growth-related regulatory functions (CC&N's and Franchises), and management of capital budgeting functions and capital accounting functions.

1985 to 1990

**Citizens Water Resources, Arizona Operations**

**Civil Engineer**

Responsible for the planning, coordination and supervision of capital expansion and major maintenance and rehabilitation projects as assigned. Responsible for development of capital program for Maricopa County Operations.

**EDUCATION**

Arizona State University – Master of Business Administration (1991)

University of Kansas – Bachelor of Science in Civil Engineering (1985)



### **PROFESSIONAL CERTIFICATION**

Registered Professional Engineer – Civil Engineering – Arizona  
Professional Engineer – Civil Engineering – California  
Certified Operator – Wastewater Treatment, Wastewater Collection, Water Treatment, Water Distribution – Arizona

### **PROFESSIONAL AFFILIATIONS**

- Director - Water Utilities Association of Arizona (1998 – 2004)
- Member - American Society of Professional Engineers
- Member - American Water Works Association
- Member - Arizona Water Pollution Control Association
- Member - Water Environment Federation

### **CIVIC AND COMMUNITY INVOLVEMENT**

- Advisory Member - Water Resources Development Commission (2010 – Present)
- Board of Directors – Greater Maricopa FTZ, Inc. (2009 – Present)
- Chairman WESTMARC (2008)
- Director and Member of the Executive Committee- WESTMARC (1998 – Present)
- Co-Chairman, WESTMARC Water Committee (2006 – 2007)
- Chairman-Elect WESTMARC (2007)
- Member – Corporate Contributions Committee, West Valley Fine Arts Council Diamond Ball (Chairman 2005)
- Member – Technical Advisory Committee – Governor’s Water Management Commission (2001)
- Board Member, Manager & Past Chairman – North Valley Little League Softball

### **REGULATORY EXPERIENCE**

Testimony has been provided before the Arizona Corporation Commission in the dockets listed below. Unless otherwise indicated testimony was provided on behalf of the utility.

<b>Filing Year</b>	<b>Utility(ies)</b>	<b>Filing Type(s)</b>	<b>Docket(s)</b>
1992	Sun City West Utilities Company	CC&N Extension (Expansion of Sun City West)	U-2334-92-244
1993	Sun City Water Company Sun City Sewer Company	CC&N Extension (Addition of Coyote Lakes)	U-1656-93-060 U-2276-93-060
1993	Tubac Valley Water Co., Inc.	CC&N Extension (Various Subdivisions on western border)	U-1595-93-241
1993	Sun City West Utilities Company	CC&N Extension (Expansion of Sun City West)	U-2334-93-293
1995	Citizens Utilities Company Sun City Water Company Sun City Sewer Company Sun City West Utilities Company Tubac Valley Water Company	Ratemaking	E-1032-95-417 U-1656-95-417 U-2276-95-417 U-2334-95-417 U-1595-95-417
1996	City Water Company Sun City Sewer Company	CC&N Extension (Acquisition of Youngtown)	U-1656-96-282 U-2276-96-282
1996	Citizens Utilities Company	CC&N Extension and Deletion (Realignment of Surprise Bdry.)	E-1032-96-518
1998	Sun City Water Company Sun City West Utilities Company	CAP Water Plan and Accounting Order (Sun Cities CAP plan)	W-01656A-98-0577 SW-02334A-98-0577

Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
2000	Citizens Water Resources Company of Arizona Citizens Water Services Company of Arizona	CC&N Extension and Accounting Order (Anthen Jacka Property and Phoenix Treatment Agreement)	SW-3455-00-1022 SW-3454-00-1022
2000	Citizens Communications Company Citizens Water Services Company of Arizona	CC&N Extension and Approval of Hook-Up Fee (Verrado)	W-0132B-00-1043 SW-0354A-00-1043
2002	Arizona-American Water Company	Ratemaking	WS-01303A-02-0867 WS-01303A-02-0868 WS-01303A-02-0869 WS-01303A-02-0870 WS-01303A-02-0908
2004	Arizona-American Water Company Rancho Cabrillo Water Company Rancho Cabrillo Sewer Company	CC&N Transfer	WS-01303A-04-0089 W-01303A-04-0089 SW-03898A-04-0089
2004	Johnson Utilities Company, LLC (Representing Pulte Home Corporation)	CC&N Extension	WS-02987A-04-0288
2005	Perkins Mountain Utility Company Perkins Mountain Water Company	New CC&N & Initial Rates	WS-20379A-05-0489 W-20380A-05-0490
2005	West End Water Company	CC&N Extension	W-01157A-05-706
2005	Arizona-American Water Company	Approvals Associated with Construction of Surface Water Treatment Facility	W-01303A-05-0718
2006	Arizona-American Water Company	Ratemaking	WS-01303A-06-0403
2008	Sunrise Water Company	Ratemaking	W-02069A-08-0406
2009	Baca Float Water Company	Ratemaking	WS-01678A-09-0376
2009	Aubrey Water Company	Lost Water Evaluation (Rate Case Compliance)	W-03476A-06-0425
2009	White Horse Ranch Owner's Assn.	Ratemaking	W-04161A-09-0471
2010	Litchfield Park Service Company	Ratemaking	W-01427A-09-0104
2011	Pima Utility Company	Ratemaking	W-021999A-11-0329 WS-02199A-11-0330

9/7/11

## EXHIBIT B

10:43 AM

09/03/11

Accrual Basis

## CHINO MEADOWS II WATER CO., INC.

## Account QuickReport

As of December 31, 2010

Type	Date	Num	Name	Memo	Amount	Balance
1101.00 - Utility Plant in Service						8,600.00
1340.10 - Office Equipment & Software						8,600.00
Check	4/5/2010	2858	Caselle, Inc	Inv 34260 - 1/4 Payment of Caselle Clarity Upgrade	687.50	9,287.50
Check	8/17/2010	3111	Caselle, Inc	2nd & final payment of Clarity Software Upgrade	687.50	9,975.00
Check	8/17/2010	3111	Caselle, Inc	Full payment of CM Caselle Cash Receipts Module	2,125.00	12,100.00
Total 1340.10 - Office Equipment & Software					3,500.00	12,100.00
Total 1101.00 - Utility Plant in Service					3,500.00	12,100.00
TOTAL					3,500.00	12,100.00

## EXHIBIT C

1:25 PM

08/16/11

Accrual Basis

## CHINO MEADOWS II WATER CO., INC.

## Account QuickReport

January through December 2009

Type	Date	Num	Name	Memo	Split	Amount
6601.00 · Salaries & Wages - Employees						
6601.01 · Payroll Expenses						
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	60.00
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	15.00
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	45.00
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	6.50
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	52.00
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	26.00
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	13.00
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	39.00
Paycheck	2/2/2009	1991	GMW		1131.02 · Che...	58.50
Paycheck	2/3/2009	1990	GMW		1131.02 · Che...	105.00
Paycheck	2/11/2009	2008	GMW		1131.02 · Che...	75.00
Paycheck	2/11/2009	2007	GMW		1131.02 · Che...	13.00
Paycheck	3/4/2009	2052	GMW		1131.02 · Che...	75.00
Paycheck	3/10/2009	2066	GMW		1131.02 · Che...	15.00
Paycheck	3/10/2009	2066	GMW		1131.02 · Che...	60.00
Paycheck	3/10/2009	2066	GMW		1131.02 · Che...	45.00
Paycheck	3/10/2009	2067	GMW		1131.02 · Che...	32.50
Paycheck	3/10/2009	2067	GMW		1131.02 · Che...	39.00
Paycheck	3/17/2009	2078	GMW		1131.02 · Che...	67.50
Paycheck	3/17/2009	2077	GMW		1131.02 · Che...	58.50
Paycheck	3/24/2009	2093	GMW		1131.02 · Che...	30.00
Paycheck	4/8/2009	2124	GMW		1131.02 · Che...	26.00
Paycheck	4/15/2009	2145	GMW		1131.02 · Che...	22.50
Paycheck	4/15/2009	2145	GMW		1131.02 · Che...	165.00
Paycheck	4/15/2009	2146	GMW		1131.02 · Che...	143.00
Paycheck	4/15/2009	2146	GMW		1131.02 · Che...	78.00
Paycheck	5/5/2009	2182	GMW		1131.02 · Che...	58.50
Paycheck	5/13/2009	2195	GMW		1131.02 · Che...	67.50
Paycheck	5/13/2009	2195	GMW		1131.02 · Che...	30.00
Paycheck	5/13/2009	2196	GMW		1131.02 · Che...	58.50
Paycheck	5/13/2009	2196	GMW		1131.02 · Che...	52.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	127.50
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	37.50
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	97.50
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	15.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	52.50
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	97.50
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	84.50
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	19.50
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	26.00
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	13.00
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	13.00
Paycheck	5/26/2009	2253	GMW		1131.02 · Che...	7.50
Paycheck	5/26/2009	2253	GMW		1131.02 · Che...	30.00
Paycheck	5/26/2009	2222	GMW		1131.02 · Che...	52.00
Paycheck	6/11/2009	2262	GMW		1131.02 · Che...	6.50
Paycheck	6/17/2009	2268	GMW		1131.02 · Che...	30.00
Paycheck	6/17/2009	2268	GMW		1131.02 · Che...	15.00
Paycheck	6/17/2009	2269	GMW		1131.02 · Che...	26.00
Paycheck	6/17/2009	2269	GMW		1131.02 · Che...	13.00
Paycheck	7/8/2009	2301	GMW		1131.02 · Che...	52.00
Paycheck	7/14/2009	2323	GMW		1131.02 · Che...	45.00
Paycheck	7/14/2009	2323	GMW		1131.02 · Che...	15.00
Paycheck	7/14/2009	2324	GMW		1131.02 · Che...	45.50
Paycheck	7/28/2009	2356	GMW		1131.02 · Che...	15.00
Paycheck	7/28/2009	2357	GMW		1131.02 · Che...	13.00
Paycheck	8/19/2009	2396	GMW		1131.02 · Che...	30.00
Paycheck	8/19/2009	2395	GMW		1131.02 · Che...	26.00
Paycheck	8/25/2009	2400	GMW		1131.02 · Che...	7.50
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	52.00
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	9.75
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	65.00
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	26.00
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	26.00
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	13.00
Paycheck	9/9/2009	2427	GMW		1131.02 · Che...	37.50
Paycheck	9/9/2009	2429	GMW		1131.02 · Che...	32.50

1:25 PM

08/16/11

Accrual Basis

## CHINO MEADOWS II WATER CO., INC.

## Account QuickReport

January through December 2009

Type	Date	Num	Name	Memo	Split	Amount
Paycheck	9/15/2009	2435	GMW		1131.02 · Che...	45.00
Paycheck	9/15/2009	2436	GMW		1131.02 · Che...	6.50
Paycheck	9/15/2009	2436	GMW		1131.02 · Che...	52.00
Paycheck	9/15/2009	2436	GMW		1131.02 · Che...	32.50
Paycheck	9/15/2009	2436	GMW		1131.02 · Che...	39.00
Paycheck	9/23/2009	2454	GMW		1131.02 · Che...	58.50
Paycheck	10/1/2009	2471	GMW		1131.02 · Che...	135.00
Paycheck	10/1/2009	2471	GMW		1131.02 · Che...	60.00
Paycheck	10/1/2009	2470	GMW		1131.02 · Che...	104.00
Paycheck	10/1/2009	2470	GMW		1131.02 · Che...	52.00
Paycheck	10/29/2009	2518	GMW		1131.02 · Che...	15.00
Paycheck	11/17/2009	2561	GMW		1131.02 · Che...	52.50
Paycheck	11/24/2009	2575	GMW		1131.02 · Che...	30.00
Paycheck	12/9/2009	2644	GMW		1131.02 · Che...	45.00
Paycheck	12/22/2009	2666	GMW		1131.02 · Che...	37.50
Paycheck	12/22/2009	2666	GMW		1131.02 · Che...	22.50
Paycheck	12/22/2009	2664	GMW		1131.02 · Che...	32.50
Paycheck	12/30/2009	2683	GMW	VOID:	1131.02 · Che...	0.00
Paycheck	12/30/2009	2684	GMW	VOID:	1131.02 · Che...	0.00
Paycheck	12/30/2009	2692	GMW		1131.02 · Che...	32.50
Total 6601.01 · Payroll Expenses						3,757.75
<b>6601.03 · Taxes - Payroll</b>						
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	0.06
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	0.01
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	0.04
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	3.72
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	0.93
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	2.79
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	0.87
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	0.22
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	0.65
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	0.48
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	0.12
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	0.36
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	1.07
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	0.27
Paycheck	1/28/2009	1977	GMW		1131.02 · Che...	0.81
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.01
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.05
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.03
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.01
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.04
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.40
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	3.22
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	1.61
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.81
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	2.42
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.09
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.75
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.38
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.19
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.57
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.05
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.42
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.21
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.10
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.31
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.12
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.93
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.47
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.23
Paycheck	1/28/2009	1976	GMW		1131.02 · Che...	0.70
Paycheck	2/2/2009	1991	GMW		1131.02 · Che...	0.06
Paycheck	2/2/2009	1991	GMW		1131.02 · Che...	3.63
Paycheck	2/2/2009	1991	GMW		1131.02 · Che...	0.85
Paycheck	2/2/2009	1991	GMW		1131.02 · Che...	0.47
Paycheck	2/2/2009	1991	GMW		1131.02 · Che...	1.05
Paycheck	2/3/2009	1990	GMW		1131.02 · Che...	0.11

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08/16/11

Accrual Basis

## CHINO MEADOWS II WATER CO., INC.

## Account QuickReport

January through December 2009

Type	Date	Num	Name	Memo	Split	Amount
Paycheck	2/3/2009	1990	GMW		1131.02 · Che...	6.51
Paycheck	2/3/2009	1990	GMW		1131.02 · Che...	1.52
Paycheck	2/3/2009	1990	GMW		1131.02 · Che...	0.84
Paycheck	2/3/2009	1990	GMW		1131.02 · Che...	1.88
Paycheck	2/11/2009	2008	GMW		1131.02 · Che...	0.08
Paycheck	2/11/2009	2008	GMW		1131.02 · Che...	4.65
Paycheck	2/11/2009	2008	GMW		1131.02 · Che...	1.09
Paycheck	2/11/2009	2008	GMW		1131.02 · Che...	0.60
Paycheck	2/11/2009	2008	GMW		1131.02 · Che...	1.34
Paycheck	2/11/2009	2007	GMW		1131.02 · Che...	0.01
Paycheck	2/11/2009	2007	GMW		1131.02 · Che...	0.81
Paycheck	2/11/2009	2007	GMW		1131.02 · Che...	0.19
Paycheck	2/11/2009	2007	GMW		1131.02 · Che...	0.10
Paycheck	2/11/2009	2007	GMW		1131.02 · Che...	0.23
Paycheck	3/4/2009	2052	GMW		1131.02 · Che...	0.07
Paycheck	3/4/2009	2052	GMW		1131.02 · Che...	4.64
Paycheck	3/4/2009	2052	GMW		1131.02 · Che...	1.08
Paycheck	3/4/2009	2052	GMW		1131.02 · Che...	0.60
Paycheck	3/4/2009	2052	GMW		1131.02 · Che...	1.34
Paycheck	3/10/2009	2066	GMW		1131.02 · Che...	0.02
Paycheck	3/10/2009	2066	GMW		1131.02 · Che...	0.11
Paycheck	3/10/2009	2066	GMW		1131.02 · Che...	0.93
Paycheck	3/10/2009	2066	GMW		1131.02 · Che...	6.51
Paycheck	3/10/2009	2066	GMW		1131.02 · Che...	0.22
Paycheck	3/10/2009	2066	GMW		1131.02 · Che...	1.52
Paycheck	3/10/2009	2066	GMW		1131.02 · Che...	0.12
Paycheck	3/10/2009	2066	GMW		1131.02 · Che...	0.84
Paycheck	3/10/2009	2066	GMW		1131.02 · Che...	0.27
Paycheck	3/10/2009	2066	GMW		1131.02 · Che...	1.88
Paycheck	3/10/2009	2067	GMW		1131.02 · Che...	0.07
Paycheck	3/10/2009	2067	GMW		1131.02 · Che...	4.43
Paycheck	3/10/2009	2067	GMW		1131.02 · Che...	1.04
Paycheck	3/10/2009	2067	GMW		1131.02 · Che...	0.57
Paycheck	3/10/2009	2067	GMW		1131.02 · Che...	1.28
Paycheck	3/17/2009	2078	GMW		1131.02 · Che...	0.07
Paycheck	3/17/2009	2078	GMW		1131.02 · Che...	4.19
Paycheck	3/17/2009	2078	GMW		1131.02 · Che...	0.98
Paycheck	3/17/2009	2078	GMW		1131.02 · Che...	0.54
Paycheck	3/17/2009	2078	GMW		1131.02 · Che...	1.21
Paycheck	3/17/2009	2077	GMW		1131.02 · Che...	0.06
Paycheck	3/17/2009	2077	GMW		1131.02 · Che...	3.63
Paycheck	3/17/2009	2077	GMW		1131.02 · Che...	0.85
Paycheck	3/17/2009	2077	GMW		1131.02 · Che...	0.47
Paycheck	3/17/2009	2077	GMW		1131.02 · Che...	1.05
Paycheck	3/24/2009	2093	GMW		1131.02 · Che...	0.00
Paycheck	3/24/2009	2093	GMW		1131.02 · Che...	1.86
Paycheck	3/24/2009	2093	GMW		1131.02 · Che...	0.43
Paycheck	3/24/2009	2093	GMW		1131.02 · Che...	0.00
Paycheck	3/24/2009	2093	GMW		1131.02 · Che...	0.00
Paycheck	4/8/2009	2124	GMW		1131.02 · Che...	0.00
Paycheck	4/8/2009	2124	GMW		1131.02 · Che...	1.61
Paycheck	4/8/2009	2124	GMW		1131.02 · Che...	0.38
Paycheck	4/8/2009	2124	GMW		1131.02 · Che...	0.03
Paycheck	4/8/2009	2124	GMW		1131.02 · Che...	0.06
Paycheck	4/15/2009	2145	GMW		1131.02 · Che...	0.00
Paycheck	4/15/2009	2145	GMW		1131.02 · Che...	0.00
Paycheck	4/15/2009	2145	GMW		1131.02 · Che...	1.40
Paycheck	4/15/2009	2145	GMW		1131.02 · Che...	10.23
Paycheck	4/15/2009	2145	GMW		1131.02 · Che...	0.33
Paycheck	4/15/2009	2145	GMW		1131.02 · Che...	2.39
Paycheck	4/15/2009	2145	GMW		1131.02 · Che...	0.00
Paycheck	4/15/2009	2145	GMW		1131.02 · Che...	0.00
Paycheck	4/15/2009	2145	GMW		1131.02 · Che...	0.00
Paycheck	4/15/2009	2145	GMW		1131.02 · Che...	0.00
Paycheck	4/15/2009	2146	GMW		1131.02 · Che...	0.00
Paycheck	4/15/2009	2146	GMW		1131.02 · Che...	0.00
Paycheck	4/15/2009	2146	GMW		1131.02 · Che...	8.86
Paycheck	4/15/2009	2146	GMW		1131.02 · Che...	4.84
Paycheck	4/15/2009	2146	GMW		1131.02 · Che...	2.07



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Accrual Basis

## CHINO MEADOWS II WATER CO., INC.

## Account QuickReport

January through December 2009

Type	Date	Num	Name	Memo	Split	Amount
Paycheck	4/15/2009	2146	GMW		1131.02 · Che...	1.13
Paycheck	4/15/2009	2146	GMW		1131.02 · Che...	0.00
Paycheck	4/15/2009	2146	GMW		1131.02 · Che...	0.00
Paycheck	4/15/2009	2146	GMW		1131.02 · Che...	0.00
Paycheck	4/15/2009	2146	GMW		1131.02 · Che...	0.00
Paycheck	5/5/2009	2182	GMW		1131.02 · Che...	0.00
Paycheck	5/5/2009	2182	GMW		1131.02 · Che...	3.63
Paycheck	5/5/2009	2182	GMW		1131.02 · Che...	0.85
Paycheck	5/5/2009	2182	GMW		1131.02 · Che...	0.00
Paycheck	5/5/2009	2182	GMW		1131.02 · Che...	0.00
Paycheck	5/13/2009	2195	GMW		1131.02 · Che...	0.00
Paycheck	5/13/2009	2195	GMW		1131.02 · Che...	0.00
Paycheck	5/13/2009	2195	GMW		1131.02 · Che...	4.19
Paycheck	5/13/2009	2195	GMW		1131.02 · Che...	1.86
Paycheck	5/13/2009	2195	GMW		1131.02 · Che...	0.98
Paycheck	5/13/2009	2195	GMW		1131.02 · Che...	0.44
Paycheck	5/13/2009	2195	GMW		1131.02 · Che...	0.00
Paycheck	5/13/2009	2195	GMW		1131.02 · Che...	0.00
Paycheck	5/13/2009	2195	GMW		1131.02 · Che...	0.00
Paycheck	5/13/2009	2196	GMW		1131.02 · Che...	0.00
Paycheck	5/13/2009	2196	GMW		1131.02 · Che...	0.00
Paycheck	5/13/2009	2196	GMW		1131.02 · Che...	3.63
Paycheck	5/13/2009	2196	GMW		1131.02 · Che...	3.22
Paycheck	5/13/2009	2196	GMW		1131.02 · Che...	0.85
Paycheck	5/13/2009	2196	GMW		1131.02 · Che...	0.75
Paycheck	5/13/2009	2196	GMW		1131.02 · Che...	0.00
Paycheck	5/13/2009	2196	GMW		1131.02 · Che...	0.00
Paycheck	5/13/2009	2196	GMW		1131.02 · Che...	0.00
Paycheck	5/13/2009	2196	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	7.90
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	2.32
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	6.04
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.93
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	3.25
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	1.85
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.54
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	1.41
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.22
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.76
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2213	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	0.00
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	6.04
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	5.24
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	1.21
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	1.61
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	0.81
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	0.81
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	1.41
Paycheck	5/19/2009	2212	GMW		1131.02 · Che...	1.22



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Accrual Basis

## CHINO MEADOWS II WATER CO., INC.

## Account QuickReport

January through December 2009

Type	Date	Num	Name	Memo	Split	Amount
Paycheck	7/14/2009	2323	GMW		1131.02 · Che...	0.00
Paycheck	7/14/2009	2323	GMW		1131.02 · Che...	0.00
Paycheck	7/14/2009	2324	GMW		1131.02 · Che...	0.00
Paycheck	7/14/2009	2324	GMW		1131.02 · Che...	2.82
Paycheck	7/14/2009	2324	GMW		1131.02 · Che...	0.66
Paycheck	7/14/2009	2324	GMW		1131.02 · Che...	0.00
Paycheck	7/14/2009	2324	GMW		1131.02 · Che...	0.00
Paycheck	7/28/2009	2356	GMW		1131.02 · Che...	0.00
Paycheck	7/28/2009	2356	GMW		1131.02 · Che...	0.93
Paycheck	7/28/2009	2356	GMW		1131.02 · Che...	0.22
Paycheck	7/28/2009	2356	GMW		1131.02 · Che...	0.00
Paycheck	7/28/2009	2356	GMW		1131.02 · Che...	0.00
Paycheck	7/28/2009	2357	GMW		1131.02 · Che...	0.00
Paycheck	7/28/2009	2357	GMW		1131.02 · Che...	0.81
Paycheck	7/28/2009	2357	GMW		1131.02 · Che...	0.19
Paycheck	7/28/2009	2357	GMW		1131.02 · Che...	0.00
Paycheck	7/28/2009	2357	GMW		1131.02 · Che...	0.00
Paycheck	8/19/2009	2396	GMW		1131.02 · Che...	0.00
Paycheck	8/19/2009	2396	GMW		1131.02 · Che...	1.86
Paycheck	8/19/2009	2396	GMW		1131.02 · Che...	0.43
Paycheck	8/19/2009	2396	GMW		1131.02 · Che...	0.00
Paycheck	8/19/2009	2396	GMW		1131.02 · Che...	0.00
Paycheck	8/19/2009	2395	GMW		1131.02 · Che...	0.00
Paycheck	8/19/2009	2395	GMW		1131.02 · Che...	1.61
Paycheck	8/19/2009	2395	GMW		1131.02 · Che...	0.38
Paycheck	8/19/2009	2395	GMW		1131.02 · Che...	0.00
Paycheck	8/19/2009	2395	GMW		1131.02 · Che...	0.00
Paycheck	8/25/2009	2400	GMW		1131.02 · Che...	0.00
Paycheck	8/25/2009	2400	GMW		1131.02 · Che...	0.47
Paycheck	8/25/2009	2400	GMW		1131.02 · Che...	0.11
Paycheck	8/25/2009	2400	GMW		1131.02 · Che...	0.00
Paycheck	8/25/2009	2400	GMW		1131.02 · Che...	0.00
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	0.00
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	0.00
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	0.00
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	0.00
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	3.22
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	0.60
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	4.03
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	0.75
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	0.14
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	0.94
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	0.00
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	0.00
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	0.00
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	0.00
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	0.00
Paycheck	8/25/2009	2401	GMW		1131.02 · Che...	0.00
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	0.00
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	0.00
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	0.00
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	1.61
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	1.61
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	0.81
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	0.38
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	0.38
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	0.19
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	0.00
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	0.00
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	0.00
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	0.00
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	0.00
Paycheck	9/2/2009	2419	GMW		1131.02 · Che...	0.00
Paycheck	9/9/2009	2427	GMW		1131.02 · Che...	0.00
Paycheck	9/9/2009	2427	GMW		1131.02 · Che...	2.33
Paycheck	9/9/2009	2427	GMW		1131.02 · Che...	0.54
Paycheck	9/9/2009	2427	GMW		1131.02 · Che...	0.00
Paycheck	9/9/2009	2427	GMW		1131.02 · Che...	0.00
Paycheck	9/9/2009	2429	GMW		1131.02 · Che...	0.00
Paycheck	9/9/2009	2429	GMW		1131.02 · Che...	2.02



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Accrual Basis

## CHINO MEADOWS II WATER CO., INC.

## Account QuickReport

January through December 2009

Type	Date	Num	Name	Memo	Split	Amount
Paycheck	12/9/2009	2644	GMW		1131.02 · Che...	2.79
Paycheck	12/9/2009	2644	GMW		1131.02 · Che...	0.65
Paycheck	12/9/2009	2644	GMW		1131.02 · Che...	0.00
Paycheck	12/9/2009	2644	GMW		1131.02 · Che...	0.00
Paycheck	12/22/2009	2666	GMW		1131.02 · Che...	0.00
Paycheck	12/22/2009	2666	GMW		1131.02 · Che...	0.00
Paycheck	12/22/2009	2666	GMW		1131.02 · Che...	2.33
Paycheck	12/22/2009	2666	GMW		1131.02 · Che...	1.40
Paycheck	12/22/2009	2666	GMW		1131.02 · Che...	0.54
Paycheck	12/22/2009	2666	GMW		1131.02 · Che...	0.33
Paycheck	12/22/2009	2666	GMW		1131.02 · Che...	0.00
Paycheck	12/22/2009	2666	GMW		1131.02 · Che...	0.00
Paycheck	12/22/2009	2666	GMW		1131.02 · Che...	0.00
Paycheck	12/22/2009	2666	GMW		1131.02 · Che...	0.00
Paycheck	12/22/2009	2664	GMW		1131.02 · Che...	0.00
Paycheck	12/22/2009	2664	GMW		1131.02 · Che...	2.02
Paycheck	12/22/2009	2664	GMW		1131.02 · Che...	0.47
Paycheck	12/22/2009	2664	GMW		1131.02 · Che...	0.00
Paycheck	12/22/2009	2664	GMW		1131.02 · Che...	0.00
Paycheck	12/30/2009	2683	GMW	VOID:	1131.02 · Che...	0.00
Paycheck	12/30/2009	2683	GMW	VOID:	1131.02 · Che...	0.00
Paycheck	12/30/2009	2683	GMW	VOID:	1131.02 · Che...	0.00
Paycheck	12/30/2009	2683	GMW	VOID:	1131.02 · Che...	0.00
Paycheck	12/30/2009	2683	GMW	VOID:	1131.02 · Che...	0.00
Paycheck	12/30/2009	2684	GMW	VOID:	1131.02 · Che...	0.00
Paycheck	12/30/2009	2684	GMW	VOID:	1131.02 · Che...	0.00
Paycheck	12/30/2009	2684	GMW	VOID:	1131.02 · Che...	0.00
Paycheck	12/30/2009	2684	GMW	VOID:	1131.02 · Che...	0.00
Paycheck	12/30/2009	2684	GMW	VOID:	1131.02 · Che...	0.00
Paycheck	12/30/2009	2692	GMW		1131.02 · Che...	0.00
Paycheck	12/30/2009	2692	GMW		1131.02 · Che...	2.02
Paycheck	12/30/2009	2692	GMW		1131.02 · Che...	0.47
Paycheck	12/30/2009	2692	GMW		1131.02 · Che...	0.00
Paycheck	12/30/2009	2692	GMW		1131.02 · Che...	0.00

Total 6601.03 · Taxes - Payroll

311.81

Total 6601.00 · Salaries &amp; Wages - Employees

4,069.56

TOTAL

4,069.56

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Accrual Basis

## CHINO MEADOWS II WATER CO., INC.

## Account QuickReport

January through December 2009

Type	Date	Num	Name	Memo	Split	Amount
<b>6601.00 · Salaries &amp; Wages - Employees</b>						
<b>6601.01 · Payroll Expenses</b>						
Paycheck	2/11/2009	2007	gmwc		1131.02 · Che...	52.00
Paycheck	3/4/2009	2051	gmwc		1131.02 · Che...	26.00
Paycheck	4/8/2009	2123	gmwc		1131.02 · Che...	30.00
Paycheck	5/5/2009	2181	gmwc		1131.02 · Che...	127.50
Paycheck	5/5/2009	2181	gmwc		1131.02 · Che...	45.00
Paycheck	5/5/2009	2181	gmwc		1131.02 · Che...	123.75
Paycheck	5/5/2009	2181	gmwc		1131.02 · Che...	45.00
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	65.00
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	13.00
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	91.00
Paycheck	5/13/2009	2196	gmwc		1131.02 · Che...	13.00
Paycheck	6/3/2009	2233	gmwc		1131.02 · Che...	30.00
Paycheck	6/11/2009	2263	gmwc		1131.02 · Che...	15.00
Paycheck	6/11/2009	2263	gmwc		1131.02 · Che...	15.00
Paycheck	7/1/2009	2287	gmwc		1131.02 · Che...	60.00
Paycheck	7/14/2009	2324	gmwc		1131.02 · Che...	13.00
Paycheck	9/23/2009	2455	gmwc		1131.02 · Che...	172.50
Paycheck	9/23/2009	2455	gmwc		1131.02 · Che...	15.00
Paycheck	9/23/2009	2454	gmwc		1131.02 · Che...	117.00
Paycheck	10/14/2009	2500	gmwc		1131.02 · Che...	15.00
Paycheck	10/14/2009	2500	gmwc		1131.02 · Che...	52.50
Paycheck	10/14/2009	2501	gmwc		1131.02 · Che...	45.50
Paycheck	10/29/2009	2518	gmwc		1131.02 · Che...	7.50
Paycheck	11/17/2009	2560	gmwc		1131.02 · Che...	65.00
Paycheck	11/24/2009	2575	gmwc		1131.02 · Che...	75.00
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	26.00
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	32.50
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	26.00
Paycheck	12/9/2009	2643	gmwc		1131.02 · Che...	39.00
Paycheck	12/30/2009	2682	gmwc		1131.02 · Che...	15.00
Paycheck	12/30/2009	2682	gmwc		1131.02 · Che...	22.50
Total 6601.01 · Payroll Expenses						1,490.25
<b>6601.03 · Taxes - Payroll</b>						
Paycheck	2/11/2009	2007	gmwc		1131.02 · Che...	0.05
Paycheck	2/11/2009	2007	gmwc		1131.02 · Che...	3.22
Paycheck	2/11/2009	2007	gmwc		1131.02 · Che...	0.75
Paycheck	2/11/2009	2007	gmwc		1131.02 · Che...	0.42
Paycheck	2/11/2009	2007	gmwc		1131.02 · Che...	0.93
Paycheck	3/4/2009	2051	gmwc		1131.02 · Che...	0.01
Paycheck	3/4/2009	2051	gmwc		1131.02 · Che...	1.61
Paycheck	3/4/2009	2051	gmwc		1131.02 · Che...	0.37
Paycheck	3/4/2009	2051	gmwc		1131.02 · Che...	0.21
Paycheck	3/4/2009	2051	gmwc		1131.02 · Che...	0.46
Paycheck	4/8/2009	2123	gmwc		1131.02 · Che...	0.00
Paycheck	4/8/2009	2123	gmwc		1131.02 · Che...	1.86
Paycheck	4/8/2009	2123	gmwc		1131.02 · Che...	0.44
Paycheck	4/8/2009	2123	gmwc		1131.02 · Che...	0.00
Paycheck	4/8/2009	2123	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2181	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2181	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2181	gmwc		1131.02 · Che...	15.58
Paycheck	5/5/2009	2181	gmwc		1131.02 · Che...	5.58
Paycheck	5/5/2009	2181	gmwc		1131.02 · Che...	3.64
Paycheck	5/5/2009	2181	gmwc		1131.02 · Che...	1.30
Paycheck	5/5/2009	2181	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2181	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2181	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2181	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	4.03
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	0.81
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	5.64
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	0.94
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	0.19

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08/16/11

Accrual Basis

## CHINO MEADOWS II WATER CO., INC.

## Account QuickReport

January through December 2009

Type	Date	Num	Name	Memo	Split	Amount
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	1.32
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	0.00
Paycheck	5/5/2009	2182	gmwc		1131.02 · Che...	0.00
Paycheck	5/13/2009	2196	gmwc		1131.02 · Che...	0.00
Paycheck	5/13/2009	2196	gmwc		1131.02 · Che...	0.81
Paycheck	5/13/2009	2196	gmwc		1131.02 · Che...	0.19
Paycheck	5/13/2009	2196	gmwc		1131.02 · Che...	0.00
Paycheck	5/13/2009	2196	gmwc		1131.02 · Che...	0.00
Paycheck	6/3/2009	2233	gmwc		1131.02 · Che...	0.00
Paycheck	6/3/2009	2233	gmwc		1131.02 · Che...	1.86
Paycheck	6/3/2009	2233	gmwc		1131.02 · Che...	0.44
Paycheck	6/3/2009	2233	gmwc		1131.02 · Che...	0.00
Paycheck	6/3/2009	2233	gmwc		1131.02 · Che...	0.00
Paycheck	6/11/2009	2263	gmwc		1131.02 · Che...	0.00
Paycheck	6/11/2009	2263	gmwc		1131.02 · Che...	0.00
Paycheck	6/11/2009	2263	gmwc		1131.02 · Che...	0.93
Paycheck	6/11/2009	2263	gmwc		1131.02 · Che...	0.93
Paycheck	6/11/2009	2263	gmwc		1131.02 · Che...	0.22
Paycheck	6/11/2009	2263	gmwc		1131.02 · Che...	0.22
Paycheck	6/11/2009	2263	gmwc		1131.02 · Che...	0.00
Paycheck	6/11/2009	2263	gmwc		1131.02 · Che...	0.00
Paycheck	6/11/2009	2263	gmwc		1131.02 · Che...	0.00
Paycheck	6/11/2009	2263	gmwc		1131.02 · Che...	0.00
Paycheck	7/1/2009	2287	gmwc		1131.02 · Che...	0.00
Paycheck	7/1/2009	2287	gmwc		1131.02 · Che...	3.72
Paycheck	7/1/2009	2287	gmwc		1131.02 · Che...	0.87
Paycheck	7/1/2009	2287	gmwc		1131.02 · Che...	0.00
Paycheck	7/1/2009	2287	gmwc		1131.02 · Che...	0.00
Paycheck	7/14/2009	2324	gmwc		1131.02 · Che...	0.00
Paycheck	7/14/2009	2324	gmwc		1131.02 · Che...	0.81
Paycheck	7/14/2009	2324	gmwc		1131.02 · Che...	0.19
Paycheck	7/14/2009	2324	gmwc		1131.02 · Che...	0.00
Paycheck	7/14/2009	2324	gmwc		1131.02 · Che...	0.00
Paycheck	9/23/2009	2455	gmwc		1131.02 · Che...	0.00
Paycheck	9/23/2009	2455	gmwc		1131.02 · Che...	0.00
Paycheck	9/23/2009	2455	gmwc		1131.02 · Che...	10.70
Paycheck	9/23/2009	2455	gmwc		1131.02 · Che...	0.93
Paycheck	9/23/2009	2455	gmwc		1131.02 · Che...	2.50
Paycheck	9/23/2009	2455	gmwc		1131.02 · Che...	0.22
Paycheck	9/23/2009	2455	gmwc		1131.02 · Che...	0.00
Paycheck	9/23/2009	2455	gmwc		1131.02 · Che...	0.00
Paycheck	9/23/2009	2455	gmwc		1131.02 · Che...	0.00
Paycheck	9/23/2009	2454	gmwc		1131.02 · Che...	0.00
Paycheck	9/23/2009	2454	gmwc		1131.02 · Che...	7.25
Paycheck	9/23/2009	2454	gmwc		1131.02 · Che...	1.70
Paycheck	9/23/2009	2454	gmwc		1131.02 · Che...	0.00
Paycheck	9/23/2009	2454	gmwc		1131.02 · Che...	0.00
Paycheck	10/14/2009	2500	gmwc		1131.02 · Che...	0.00
Paycheck	10/14/2009	2500	gmwc		1131.02 · Che...	0.00
Paycheck	10/14/2009	2500	gmwc		1131.02 · Che...	0.93
Paycheck	10/14/2009	2500	gmwc		1131.02 · Che...	3.26
Paycheck	10/14/2009	2500	gmwc		1131.02 · Che...	0.22
Paycheck	10/14/2009	2500	gmwc		1131.02 · Che...	0.76
Paycheck	10/14/2009	2500	gmwc		1131.02 · Che...	0.00
Paycheck	10/14/2009	2500	gmwc		1131.02 · Che...	0.00
Paycheck	10/14/2009	2500	gmwc		1131.02 · Che...	0.00
Paycheck	10/14/2009	2500	gmwc		1131.02 · Che...	0.00
Paycheck	10/14/2009	2501	gmwc		1131.02 · Che...	0.00
Paycheck	10/14/2009	2501	gmwc		1131.02 · Che...	2.82
Paycheck	10/14/2009	2501	gmwc		1131.02 · Che...	0.66
Paycheck	10/14/2009	2501	gmwc		1131.02 · Che...	0.00
Paycheck	10/14/2009	2501	gmwc		1131.02 · Che...	0.00
Paycheck	10/29/2009	2518	gmwc		1131.02 · Che...	0.00
Paycheck	10/29/2009	2518	gmwc		1131.02 · Che...	0.47

1:25 PM

08/16/11

Accrual Basis

## CHINO MEADOWS II WATER CO., INC.

## Account QuickReport

January through December 2009

Type	Date	Num	Name	Memo	Split	Amount
Paycheck	10/29/2009	2518	gmwc		1131.02 · Che...	0.11
Paycheck	10/29/2009	2518	gmwc		1131.02 · Che...	0.00
Paycheck	10/29/2009	2518	gmwc		1131.02 · Che...	0.00
Paycheck	11/17/2009	2560	gmwc		1131.02 · Che...	0.00
Paycheck	11/17/2009	2560	gmwc		1131.02 · Che...	4.02
Paycheck	11/17/2009	2560	gmwc		1131.02 · Che...	0.94
Paycheck	11/17/2009	2560	gmwc		1131.02 · Che...	0.00
Paycheck	11/17/2009	2560	gmwc		1131.02 · Che...	0.00
Paycheck	11/24/2009	2575	gmwc		1131.02 · Che...	0.00
Paycheck	11/24/2009	2575	gmwc		1131.02 · Che...	4.65
Paycheck	11/24/2009	2575	gmwc		1131.02 · Che...	1.09
Paycheck	11/24/2009	2575	gmwc		1131.02 · Che...	0.00
Paycheck	11/24/2009	2575	gmwc		1131.02 · Che...	0.00
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	0.00
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	0.00
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	0.00
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	1.61
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	2.02
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	1.61
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	0.38
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	0.47
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	0.38
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	0.00
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	0.00
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	0.00
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	0.00
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	0.00
Paycheck	11/24/2009	2576	gmwc		1131.02 · Che...	0.00
Paycheck	12/9/2009	2643	gmwc		1131.02 · Che...	0.00
Paycheck	12/9/2009	2643	gmwc		1131.02 · Che...	2.42
Paycheck	12/9/2009	2643	gmwc		1131.02 · Che...	0.57
Paycheck	12/9/2009	2643	gmwc		1131.02 · Che...	0.00
Paycheck	12/9/2009	2643	gmwc		1131.02 · Che...	0.00
Paycheck	12/30/2009	2682	gmwc		1131.02 · Che...	0.00
Paycheck	12/30/2009	2682	gmwc		1131.02 · Che...	0.00
Paycheck	12/30/2009	2682	gmwc		1131.02 · Che...	0.93
Paycheck	12/30/2009	2682	gmwc		1131.02 · Che...	1.40
Paycheck	12/30/2009	2682	gmwc		1131.02 · Che...	0.22
Paycheck	12/30/2009	2682	gmwc		1131.02 · Che...	0.33
Paycheck	12/30/2009	2682	gmwc		1131.02 · Che...	0.00
Paycheck	12/30/2009	2682	gmwc		1131.02 · Che...	0.00
Paycheck	12/30/2009	2682	gmwc		1131.02 · Che...	0.00
Paycheck	12/30/2009	2682	gmwc		1131.02 · Che...	0.00

Total 6601.03 · Taxes - Payroll

116.12

Total 6601.00 · Salaries &amp; Wages - Employees

1,606.37

TOTAL

1,606.37



## EXHIBIT D

*Law and Business Offices of*

**Paul D. Levie**  
2465 Shane Drive  
Prescott, Arizona 86305

Attorney At Law  
(928) 778-2600 Prescott  
(928) 778-2301 Prescott Home  
(928) 717-2621 FAX

Equestrian Development Corporation  
Granite Mountain Homesites  
Granite Mountain Water Co., Inc.  
Chino Meadows II Water Co., Inc.  
Chino Meadows Properties  
Paulden Properties  
Investment Properties

December 8, 2010

Pam Harbeson,

In appreciation for your outstanding performance and work ethic since joining our team earlier this year, in addition to the enclosed bonus of \$500.00 we are increasing your hourly wage, effective January 1<sup>st</sup>, 2011, from \$13.00/hour to \$14.50/hour. You have proven to be a confident and proactive team member. Your skills of auditing and analysis are comparable to your ability to assertiveness and tenacity to get the jobs done.

Sincerely,



Paul D. Levie



Matt Lauterbach

Cc: Personnel File

*Law and Business Offices of*

**Paul D. Levie**  
2465 Shane Drive  
Prescott, Arizona 86305

Attorney At Law  
(928) 778-2600 Prescott  
(928) 778-2301 Prescott Home  
(928) 717-2621 FAX

Equestrian Development Corporation  
Granite Mountain Homesites  
Granite Mountain Water Co., Inc.  
Chino Meadows II Water Co., Inc.  
Chino Meadows Properties  
Paulden Properties  
Investment Properties

December 8, 2010

John DeGarmo,

In appreciation for your outstanding performance and work ethic over the last year, in addition to the enclosed bonus of \$250.00 we are increasing your hourly wage, effective January 1<sup>st</sup>, 2011, from \$14.00/hour to \$15.00/hour. You are an exemplary employee and your dedication in so many diverse working environments and tasks is greatly appreciated. We can always count on you to get things done.

Sincerely,



Paul D. Levie



Matt Lauterbach

Cc: Personnel File

*Law and Business Offices of*

**Paul D. Levie**  
2465 Shane Drive  
Prescott, Arizona 86305

Attorney At Law  
(928) 778-2600 Prescott  
(928) 778-2301 Prescott Home  
(928) 717-2621 FAX

Equestrian Development Corporation  
Granite Mountain Homesites  
Granite Mountain Water Co., Inc.  
Chino Meadows II Water Co., Inc.  
Chino Meadows Properties  
Paulden Properties  
Investment Properties

December 8, 2010

Matt Lauterbach,

Effective January 1<sup>st</sup>, 2011 your hourly salary will be increased to \$17.00 per hour.

Sincerely,



Paul D. Levie

Cc: Personnel File

## EXHIBIT E



**Utility Services Associates**  
You Leak, We Seek™ LLC

March 3, 2010

Chino Meadows II Water Co.  
Attn: Matt Lauterbach  
PO Box 350  
Chino Valley, AZ 86323

Dear Mr. Lauterbach:

We would like to thank you for this opportunity to submit this proposal for your consideration of a **Leak Detection Project for the Chino Meadows II Water Co., AZ.**

We advocate furnishing a comprehensive leak survey of the area you designated. This will maximize our ability to find even smaller leaks.

We specialize in Leak Detection. We are not affiliated with any one manufacturer. Therefore, we can use whatever equipment and procedures meet your special needs. We constantly upgrade to the latest technology and methods to provide the most cost-effective service available. After reviewing information you provided, we are confident we can identify areas of unaccounted for water, lost through leakage, in the distribution system.

The area we discussed for this leak survey and pinpointing project is **4 to 10 miles** of distribution pipe, varying in sizes from **2" through 6"**. Pipe material consists of **100% PVC**. Valve boxes are mostly accessible for easy contact of our equipment. Contact points (valves, hydrants or services, etc.) are within **300 feet** in most cases. The pressure varies from **35 PSI to 60 PSI**. Non Revenue Water (NRW) is **9%**.

Our experienced Field Technicians provide the highest degree of professionalism in the business. Our office staff has been with the company since its inception. We strive to help clients *reduce their non-revenue water loss* due to leakage in a cost-effective manner. When leaks are eliminated, the effects on loss management and conservation will ultimately outweigh the initial cost of our service. We are proud of our record with other communities, and suggest you contact at least a sampling of them to confirm our abilities.

We believe our unique qualifications and the services we can provide make us the best candidate for successfully fulfilling your leak detection needs. We look forward to the opportunity of assisting you with this important water conservation project. Our quotation and procedures and methods are attached for your review and are incorporated into the proposal.

We thank you for your interest and hope to see you in the near future.

Sincerely,  
*Bruce Rubin*  
Bruce Rubin  
Consultant

March 3, 2010  
Chino Meadows II Water Co., AZ

### QUOTATION

The following prices are based on information provided to us as described in the first page of this proposal letter. Should actual conditions or footage vary it may be necessary to adjust pricing accordingly.

#### Locate and Pinpoint Water Leaks

2 days	@ \$969.00 per day:	\$1,938.00
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Mobilization Charges:	\$358.00
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The above is a minimum price and applies only when we are in the area. In the event services are desired when we are not in the area or mobilization to the area requires airfare, rental car, freight, etc., mobilization charges will be negotiated. **Any applicable state taxes will be added when service is performed.**

**Daily rate is based on 8 hours per day, Monday through Friday.** In the event an extension of days or footage is desired while we are on this project the additional charge will be at the same ratio as the above schedule. This project may be extended only if our schedule permits and upon approval of Chino Meadows II Water Co.. In the event a reduction or extension of days or footage is desired, prior to our arrival please contact us for a review of the above pricing. To schedule service, please call 877-585-LEAK (5325).

It is understood that pinpointing leaks on private service lines is not a part of this project. However, we will indicate which service lines are leaking whenever possible at no extra charge.

**In order to expedite this project and to make sure you get the most effective water line survey for your investment, it will be necessary for you to supply a helper at all times who can assist our Field Technician with information regarding the water system. A helper will also ensure that no areas are missed during the survey and all possible methods are utilized and to locate all lines accurately.**

When quotes are based on a fixed price, in order to expedite the survey, it is necessary that preparation for service as outlined herein be adhered to. The above price includes up to two copies of any Final Report prepared by Utility Services Associates for U.S. clients and one copy for overseas clients. (One copy of Final Report will be sent upon project completion unless otherwise requested.) Additional copies may be obtained at a price of \$30.00 per copy.

**CONTRACT TIME** - Proposal price shall be held for 90 days from proposal date.

**Mobilization Charges may be adjusted based upon changes in airfare or rental car costs. Prices above do not include any applicable taxes.**

**PAYMENT** - A service charge will be assessed on past due or delinquent accounts at the rate of 1<sup>1/2</sup>% per month.

Bruce Rubin